FINANCIAL TIMES

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A confident reaction to Brazil's Cruzado plan, Page 17

World news

US links Gadaffi with bomb in Berlin

The US is linking Col Gadaffi, Libya's leader, to the Berlin nightclub bombing in which two people, including an American soldier, were killed and more than 150 wounded on Saturday. US officials admit, however, they have no hard evidence implicating him directly with the attack.

An Administration official said the latest incident fitted "a pattern of indiscriminate violence" against Americans by Col Gadaffi.

The Administration's accusation caused speculation that it might be preparing American and international opinion for tough US military retaliation against Libya. Page 18

Bombing alert

US forces and West German police stepped up security as the hunt continued for bombers who killed two people and injured more than 150 in a West Berlin discotheque frequented by American soldiers. Page 2

Beirut shooting

Sniper fire and grenade blasts marred a new truce at Beirut's embattled Palestinian camps as 400 war-weary citizens staged a "peace marathon" jog, urging an end to civil strife.

Oil output halted

All Norwegian oil and gas production stopped after 670 offshore caterers went on strike for more money and employers retaliated by locking out all other oil production workers. Page 2

Gulf tanker hit

Fire on board a Saudi Arabian tanker was extinguished following an Iranian attack in Qatari waters which left one crew member missing and seven injured. US safeguard, Page 2

Zambian ministers

President Kenneth Kaunda of Zambia named new foreign and finance ministers in a continuing effort to keep his faltering southern African peace initiative alive and repair Zambia's shattered economy.

Peace talks hitch

Central American peace talks among 13 Latin American foreign ministers were drawing to a close bogged down by military matters and clouded by a growing frustration with US policy in the region.

Weinberger visit

US Defence Secretary Caspar Weinberger arrived in Manila and was expected to discuss military aid to the Philippines with President Corazón Aquino.

Serb leader freed

Kosta Bulatovic, 50, a Serbian leader whose arrest four days ago caused widespread demonstrations by as many as 7,000 Serbs in Yugoslavia's Kosovo Province, was released. He had been charged with spreading propaganda attacking the country's constitutional order.

Wine chief held

The owner of a wine-producing company in Parma, northern Italy, became the ninth person arrested in connection with a scandal over adulterated Italian wine that has killed at least 16 people. Page 2

Strikes warning

Swedish Finance Minister Kjell-Olof Feldt warned that widespread white-collar strikes and lock-outs planned for this week would endanger efforts to curb inflation.

Liner aground

The Italian cruise liner Achille Lauro ran aground with 600 tourists on board at the entrance to the port of Alexandria, Egypt, close to where it was hijacked by Palestinian guerrillas last year.

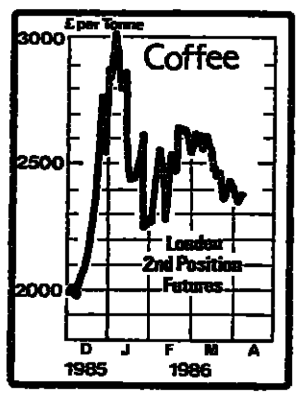
Business summary

BL delays launch of executive saloon

AUSTIN ROVER, BL's volume car company, has again delayed the internal target date for launch of its much-heralded Rover XX executive saloon developed in collaboration with Honda of Japan. Page 18

TOKYO share prices recouped some of the week's losses in Saturday's half-day session. The Nikkei index rose 104.52 to 15,124.33 after a 252.43 fall on Friday. Buying was centred on public-spending-linked shares. Leading prices, Page 29

WORLD trade will surge this year due to falling oil prices, the Economist Intelligence Unit forecasts. Page 8



COFFEE prices on the London futures market were depressed last week by plentiful supplies and slack demand. The July position ended £125 lower at £2,379 a tonne – its lowest level since mid-February. News that the US would not, as expected, be leaving the price-supporting International Coffee Agreement, failed to halt the slide.

SOVIET trade with the West went into deficit last year, largely due to a drop in oil revenues. Page 4

SENIOR Government officials from the 22 members countries of the International Energy Agency will meet in Paris on Thursday to pool their views on the collapse in oil prices. Page 18

COMPANIES

Accord on debt rating agency

DEMERGER Corporation has announced agreement to set up a UK debt-rating agency in its revised offer for Extel, British business and sporting information group. Page 19

BANK OF CYPRUS Group, island's largest banking organisation, saw pre-tax profits up 15 per cent to C£8.4m ($12.4m) in 1985 to C£5.6m. The board is proposing a 15 per cent, the same as last year. Page 21

STANDARD Chartered Bank of the UK will consider the £1.17bn ($1.73bn) Lloyds Bank takeover offer at its monthly board meeting tomorrow. Page 22

LAIRD GROUP, UK engineering concern, increased pre-tax profits in 1985 by 20 per cent. Page 22

ALAMITO, Arizona-based energy wholesaler, has agreed an improved offer from Osceola Energy Development, an investment group. Page 21

INSTITUTE of Directors in the UK wants changes in legislation to allow companies more freedom. Page 8

ALITALIA, Italy's state-controlled airline, more than doubled net profits last year. Page 19

HUNGARY is back in the Eurocredit market with a $275m, eight-year credit, its first ever to include a margin of just ¼ per cent as part of the terms. Page 19

Realignment of EMS satisfies French need for devaluation

BY PAUL CHEESERIGHT IN OOTMARSUM, NETHERLANDS

FRANCE RELAXED its pressure yesterday for an 8 per cent devaluation of the franc against the D-Mark and settled for an effective 5.8 per cent devaluation as part of the broad realignment of European Monetary System currencies which was negotiated by EEC finance ministers at the weekend.

All governments declared themselves satisfied with the relatively smooth handling and outcome of the EMS's ninth realignment, triggered by the desire of the conservative parties making up the new French Government to boost the country's competitiveness and pave the way for lower interest rates.

The change in the franc-D-Mark relationship was achieved by a 3 per cent devaluation of the French currency against its EMS central rate and a 3 per cent revaluation of the D-Mark. The Dutch guilder was likewise revalued by 3 per cent, the Danish krone by 1 per cent and also, in a surprising move, the Belge-Luxembourg franc was revalued by 1 per cent. As a result, said Mr Mark Eysens, the Belgian Finance Minister, the Belgian currency had broken its traditional link with the French franc.

NEW ECU CENTRAL RATES
in units of national currency per ecu

D-Mark	2.13834
Belgian franc	43.6761
Danish krone	7.91896
Italian lira	1496.21
UK pound	0.630317
Dutch guilder	2.40935
Luxemburg fr.	43.6761
Ir. punt	0.712956
Fr. franc	6.9628
Greek drachma	135.659

Equally surprising was Italy's decision not to move the lira downwards with the French franc. Dr Giovanni Goria, the Italian Treasury Minister, was apparently happy to leave the lira's central rate unchanged – a decision which some observers thought could leave the lira vulnerable within the EMS over the coming months.

As a result of the occasionally difficult negotiations at a Dutch holiday hotel, the French franc's average devaluation against other EMS currencies is 4.7 per cent. Mr Edouard Balladur, the French Finance Minister, said this was "indispensable" for his Government's objectives which included fixing the franc's value "on a realistic and stable basis."

In addition to its devaluation against the D-Mark, the French franc will be worth about 5.8 per cent less against the Dutch guilder; 4 per cent less against the Belgo-Luxembourg franc and Danish krone and 3 per cent less against the Irish punt and the Italian lira.

Dr Gerhard Stoltenberg, the West German Finance Minister who had resisted a full 8 per cent franc devaluation during a two hour bilateral meeting with Mr Balladur which paved the way for final agreement, said the revaluation of the D-Mark represented "no disadvantage" for the German economy. He expected that "the EMS will be calm for some time, providing everybody follows economic stabilisation policies."

Most ministers thought the realignment held out the promise of lower interest rates. Dr Onno Rud-

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Background, Page 3; Feature and editorial comment, Page 16; Lex, Page 18; Healthy French franc bonds, Page 19

Fiat to raise L1,125bn in record rights issue

BY JAMES BUXTON IN ROME

FIAT, the Italian, private-sector industrial group, is to raise L1,125bn ($711m) by means of a rights issue to help finance its increased investment needs over the next three years.

The issue, which will consist of a new category of non-voting savings shares, is the largest in Italian history. It will include shares reserved for all Fiat's 224,000 employees, representing a dramatic advance in employee share ownership in Italy.

The board of Fiat, chaired by Mr Gianni Agnelli, approved the rights issue on Saturday at a meeting in Turin. After the meeting, Mr Mohammed Siala, who represents the Libyan Arab Foreign Investment Company, said Libya was not intending to sell its 15 per cent stake in Fiat, which has been the source of much speculation recently.

If Libya did sell, Mr Siala said, it was obliged under an existing agreement to offer the shares to IFI, the holding company controlled by the Agnelli family, which owns 31 per cent of Fiat. Mr Gianluigi Gabetti, managing director of IFI, said that IFI was in a position to exercise its option. At present, the Libyan stake is worth roughly L4,000bn.

The decision of the Fiat board to make a rights issue reflects two factors. One is the good progress of the company, which is soon expected to announce record 1985 profits in excess of L1,000bn on sales which reached L26,330bn.

The other is the remarkable rise of Fiat shares on the Milan stock exchange in the past few weeks. At the beginning of January they stood at just under 6,000 each. Recently, they touched L14,000. On Friday night they closed at just under L13,000, giving a price earnings ratio of about 80.

Under the rights issue, Fiat is to issue 225m savings shares at a price of L5,000 each, composed of L1,000 nominal value and a L4,000 premium. Some 202.5m savings shares will be offered to holders of existing ordinary and preference shares on a one-for-10 basis; the remaining 22.5m new shares will be reserved for Fiat's employees.

The savings shares carry no voting rights but will pay a dividend of L30 above that paid on Fiat ordinary shares. Savings shares are also attractive to investors because they avoid the 15 per cent withholding tax that applies to dividends on ordinary shares.

As a further incentive, Fiat is to offer the holders of the new savings shares options to buy shares in Comau, the wholly owned subsidiary which is a successful maker of production systems. Comau will be listed on the Milan stock exchange later this year and holders of the new savings shares will have the right to buy Comau shares on a one-for-10 basis at the official price, provided the option is exercised in December.

The rights issue, for which shareholder approval will be sought at the beginning of June, will lift Fiat's nominal capital by L225bn to L2,250bn. The last time Fiat made a capital increase, in 1984, it raised L760bn in new funds.

Fiat's board said the money raised by the new issue would go to help finance an investment programme of about L10,000bn over the three-year period from 1987 to 1989. This represents an increase in Fiat's investment needs. Last year the company invested a total of L2,450bn in plant and in research and development: in the coming three years, it is expected to invest an average of L3,300bn a year.

Texas bank failure may leave largest depositors unprotected

BY WILLIAM HALL IN NEW YORK

US BANK regulators have closed Mainland Savings, a $1bn Houston savings and loan, which has been hit by heavy losses on its loans to the troubled Texan property industry.

Mainland was one of the fastest growing savings banks in Texas and is one of the largest financial institutions ever allowed to fail in the US. Its collapse will increase nervousness in the financial markets since it appears that the regulators are not going to protect some of the bank's largest depositors from losses on their investment in jumbo certificates of deposit (CDs) which Mainland used to finance its rapid growth.

Officials of the Federal Home Loan Bank Board (FHLB), the agency which regulates most of the savings banks, said they closed down the state chartered institution because it had a negative net worth. Depositors whose funds were insured to the maximum $100,000 will have access to their money through the Allenpark Federal Savings and Loan.

Mainland is typical of the fast-growing Texas savings banks whose problems in property have been exacerbated by the impact of the collapse in oil prices on the Texas economy, and they are now causing US bank regulators serious concern. Its assets had more than tripled since 1981, and it had issued over $600m in high-yield jumbo CDs to finance its growth. US bank regulators have been critical of the way many fast-growing savings banks have been able to tap the money markets with the help of big brokerage firms to finance their rapid growth.

Normally, when a bank or savings bank fails in the US, regulators have provided de facto insurance cover to all depositors, regardless of size, because of worries about effects on confidence if large depositors were allowed to lose their money. It was feared that other depositors would withdraw their money from other savings banks and precipitate a run on their deposits.

However, the cost of rescuing the growing number of savings banks in trouble is putting a heavy strain on the savings banks' insurance funds, which protect depositors, and regulators are under growing pressure to allow big depositors to lose some of their money. This is seen as one way of restoring some discipline into the market place.

The FHLB, which will inject extra capital into Mainland says that Mainland's problems reflected its "aggressive programme of high-risk, poorly under written land and construction lending funded through broker deposits and in house sales of high-cost jumbo CDs."

Paris aims at cutting inflation to 2.3% this year

By David Housego in Paris

FRANCE'S new right-wing Government yesterday announced fresh restrictive fiscal and monetary policies to prevent a revival of inflation in the wake of the devaluation of the French franc against the D-Mark.

Mr Edouard Balladur, the Minister of Finance, last night committed the Government to bringing down inflation to 2.3 per cent by the end of the year. This is slightly higher than the French Treasury's internal forecasts before the devaluation, which had anticipated that inflation would fall to 1.5 to 2.0 per cent by the end of the year, but well below the 4.7 per cent France achieved last year.

Mr Balladur accompanied his announcement of public expenditure cuts and of a clamp down on salary increases for public employees, with moves towards a substantial lifting of price and foreign exchange controls designed to liberalise the economy and strengthen corporate profitability. He said the Government's aim was to eliminate the budget deficit – now more than 3 per cent of GNP – in three years.

The measures are a prelude to the full statement of Government policy that Mr Jacques Chirac, the Prime Minister, is expected to make before the National Assembly on Wednesday.

The devaluation none the less came under immediate attack from the Socialists, with Mr Pierre Bérégovoy, the former Finance Minister, accusing his successor of abandoning disinflation as the policy priority.

The French employers association, the CNPF, described the devaluation as sanctioning, a judgement on the mismanagement of the Socialists and putting French companies back on an equal footing with their competitors. Trades unions reacted adversely to the holding down of public employee wages.

The Government's immediate aim is that the devaluation should be followed by a cut in French interest rates. But the room for substantial cuts has been limited by Mr Balladur's announcement that monetary growth this year will be held to under 5 per cent. This compares with a target range of 4 to 6 per cent for 1985 but an overshooting of monetary growth, which expanded over the year by 7 to 8 per cent. Credit growth this year is to be concentrated on the corporate sector.

Mr Balladur's statement did not promise a full lifting of foreign exchange controls, but French expor-

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Japan plans package to boost growth

BY JUREK MARTIN IN TOKYO AND PHILIP STEPHENS IN WASHINGTON

JAPAN WILL unveil in the next 24 hours another economic reflationary package and a longer-term plan to make its domestic economy more internationally receptive.

The move comes as the country faces renewed pressure from other leading industrial nations, whose representatives are gathering in Washington for an International Monetary Fund policy meeting, to step up its pace of growth by fiscal relaxation.

There is growing scepticism among these nations over Japan's ability to meet its forecast 4 per cent real growth this year. Domestic demands are also mounting for action to offset adverse impacts of the higher yen.

The package, due to be approved by the Cabinet tomorrow, bears a marked resemblance to a previous initiative last autumn. It will contain little of apparent immediate benefit to Japan's major trading partners beyond the underlying assumption that faster domestic expansion is expected to suck in more imports.

Its main elements will include:

● Higher public spending in the current fiscal year, a traditional policy tool. About 78 per cent of the public works budget is to be disbursed in the first half of the fiscal year, which began on April 1. In recent years it has been customary for more than 70 per cent to be front-loaded in this way, but the 78 per cent figure is said to be the highest on record.

● The passing on to industrial and personal consumers of windfall profits being earned by the utility companies as a result of the combination of lower oil prices and a higher yen. The Government may also keep a closer watch on the prices of imported goods in the domestic market to ensure that they reflect at least some of the yen's appreciation.

● Further incentives to the construction industry through the deregulation of government controls over commercial building in residential areas and through the issue of more government construction bonds.

The package is also likely to include a plea for more flexible application of monetary policy. However, it is less certain whether this will be accompanied by a further cut in the discount rate, now at 4 per cent.

In an additional move a report will be released today of a special commission established last year by Mr Yasuhiro Nakasone, the Prime Minister, on how Japan's economy might be made more internationally compatible.

The EEC is prepared to support moves to replenish the funds of the International Development Agency, the soft-loan associate of the World Bank, by $12bn. Dr Onno Ruding, Dutch Finance Minister, and chairman of the weekend's talks, said the European attitude was constructive and if the IDA did not succeed the Europeans could not be blamed. Page 18

The commission, headed by Mr Haruo Maekawa, the previous governor of the Bank of Japan, the central bank, will call for a shift in economic priorities from export-led growth to expansion by domestic demand. It will deal mainly in long-term structural issues, such as working hours and the absence of indigenous investment incentives.

The timing of these policy initiatives has been determined by the fact that Mr Nakasone leaves for Washington next weekend for talks with Reagan Administration officials. This is both a bilateral exercise and part of the preparation for the world summit to be held in Tokyo early next month.

Separately, the Ministry of International Trade and Industry has announced that it will orchestrate an import drive between now and the summit.

In Washington, the IMF in the carefully-coded language characteristic of its policy pronouncements, is giving strong backing to the governments which fear that Japan's economy is faltering.

The Fund's forecasts suggest that the Japanese economy will expand by far less than its productive capacity this year, partly due to the negative impact of the Government's fiscal policy.

Mr Noboru Takeshita, Japan's Finance Minister, will hear these concerns in a meeting scheduled for tomorrow with Mr James Baker, the US Treasury Secretary. The Finance Ministers of West Germany, France and Britain are expected to join the talks later in the day at a meeting of the Group of Five industrial nations.

The formal session of the IMF's policy-making interim committee begins on Wednesday.

The Japanese Government, which is anxious to avoid a public row ahead of the Tokyo summit, has been arguing privately that too much external pressure for it to expand its economy could be counter-productive because of domestic political sensitivities.

IDA cash boost, Page 18

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OVERSEAS NEWS

Bomb attacks on US targets have forged close co-operation between American, West German and Egyptian officials, FT correspondents report

Bonn looks for foreign links to bombing

A MOOD of despair gripped American and West German officials after a weekend bomb attack by suspected terrorists on a West Berlin discotheque frequented by US soldiers, **Leslie Collett** writes from **Berlin.**

One GI and a Turkish woman were killed and more than 150 people were hospitalised after the explosion which tore apart the nightspot.

Helplessness prevailed despite the defiant reaction of Mr Richard Burt, the US Ambassador to Bonn, and Mr Hans-Dietrich Genscher, West Germany's Foreign Minister.

Mr Burt pledged in West Berlin that his Government was determined to continue its campaign against worldwide "state sponsored terrorism." Mr Genscher promised that West Germany would not allow its American friends to be "bombed out of our country."

The West German Foreign Ministry formed a working group to discover if any foreign powers were behind the attack. Mr Genscher vowed that if such evidence was found the Bonn Government would not hesitate to take the firmest steps.

The bombing appeared to confirm fears that US forces in West Germany and West Berlin could become a prime target for revenge seeking terrorists. An anonymous caller to a West German news agency in Berlin claimed an "anti-American Arab liberation front" was responsible for the attack. Other calls however said it was the West German Red Army terrorist group. The head of West Berlin's internal security office, said none of the claims could yet be considered authentic.

Security at US military and diplomatic sites in West Germany was heightened during and after last month's tensions between the US and Libya over the Gulf of Sirte. Acess to US army shopping centres in West Berlin and West Germany was tightly controlled while guards were reinforced around the homes of senior officers

But instead of a military or diplomtic installation, "La Belle" a popular discotheque among GIs in West Berlin was singled out for a bomb attack. Both American and German officials admitted there was little that could be done to stop terrorists hitting such targets

A senior West Berlin police official explained that to spread a security net around every restaurant or bar frequented by the 7,000 American soldiers in Berlin would bring life in the city to a halt.

"It would be completely out of proportion to the results."

West Berlin's mayor, Mr Eberhard Diepgen, said every effort must be made to prevent terrorists from entering the city which is surrounded by East German territory. West Berlin officials said there were indications but no proof that terrorists had entered unimpeded from East Berlin after arriving at Schoenefeld Airport in East Germany.

Although investigations were launched by the authorities in West Germany and West Berlin as well as the US army, officials were pessimistic that future attacks could effectively be prevented. One West Berlin police official noted the only way to foil bomb attacks was to increase citizens' awareness of the danger.

"There is damn little that can be done," said one American diplomat. He suggested that an increase in terrorist attacks on US forces in West Germany could fuel isolationist sentiments in large parts of the US.

Pressure could build to either do something to effectively protect the lives of GIs or to "bring the boys home".

The bombing was the first of its kind against US troops in West Berlin although there were 12 attacks on US and Nato installations in West Germany last year. Two people were killed and 65 injured.

Bombs were placed in several cars belonging to GIs in West Germany in 1984 and were found to have been the work of West German terrorists.

The far left Alternative List (AL) party in West Berlin, equivalent to the environmentalist West German Greens, severely condemned the discotheque bombing. In the past they were frequently accused by the major parties of condoning terrorism, a charge they strongly rejected.

A statement issued by the AL said no political group state institution or individual representing an allegedly "just" political cause could be justified in terrorising and murderiny young people in a disco.

Cairo ground staff investigated

AMERICAN investigators are working with Egyptian security officials in an effort to establish the circumstances which led to last week's bomb blast on a TransWorld Airlines Boeing over Greece, Tony Walker reports from Cairo. The Egyptian Government has continued to strenuously deny that an explosive device was put on the plane in Cairo.

A US Embassy spokesman said that a representative of the US Federal Aviation Authority, permanently based in Cairo, is helping co-ordinate the investigation which also involves TWA and the US Federal Bureau of Investigation.

Investigations are focusing on the possibility that a member of the ground staff at Cairo airport secreted the bomb on the aircraft before it left for Athens and Rome on April 2.

The International Air Traffic Association has warned about loopholes in ground security at Cairo airport. As part of its aid programme in Egypt, the US is providing assistance to upgrade security

Foreign airline representatives report that more care is being taken in screening passengers since last June's hijacking of another TWA Boeing bound for Beirut. There were suggestions then — hotly denied by Egypt — that weapons were placed on the aircraft in Cairo for use by hijackers who boarded the plane in Athens

Meanwhile, a Lebanese woman who emerged as the prime suspect in last week's bombing has denied involvement. Mrs May Elias Mansour, a boutique owner and former militia fighter with a pro - Syrian group, told reporters in the Lebanon's northern city of Tripoli she had "no knowledge of the incident."

Mrs Mansour, who boarded the plane at the last minute in Cairo under suspicious circumstances and left it in Athens for a connecting flight to Beirut, said she supported attacks on the US targets, "but not the way this attack was carried out."

The 31-year-old woman, who is partially paralysed from a stroke suffered two years ago, admitted she is a member of the leftist Syrian Social Nationalist Party.

Mr Fouad Sultan, Egypt's Tourism Minister, is the latest Egyptian official to refute suggestions there was a lapse of security in Cairo.

Airline representatives say that it is impossible to guarantee 100 per cent security against determined and ruthless operators in an environment like the Middle East.

Shultz shuttle diplomacy expected by Israelis

BY ANDREW WHITLEY IN JERUSALEM

MR GEORGE SHULTZ, the US Secretary of State, is expected to visit the Middle East in the next few weeks, in a personal effort to inject fresh life into the badly faltering Arab-Israeli peace process.

Persuading the Secretary of State to abandon his earlier reluctance to get involved in the Middle East imbroglio at this stage is regarded here as the main achievement of Prime Minister Shimon Peres's three-day visit to the US last week.

No dates have yet been set for the Shultz visit. Nor has any clear indication emerged of its expected duration. But according to Israeli officials quoted in yesterday's Israeli press, Mr Shultz is likely to undertake a Kissinger-style shuttle between Jerusalem, Amman and Cairo.

The main aim is thought to be to try and make tangible progress simultaneously on two fronts: the aborted moves to get talks under way between Israel and a joint Jordanian-Palestinian delegation and the deadlocked Taba border talks with Egypt.

On his return to Israel last Friday Mr Peres said the priorities were "to try and complete the agreement with Egypt," set up action against terrorism and "to explore the possibility of new openings with Jordan following King Hussein's recent break with the Palestine Liberation Organisation.

Paving the way for a Shultz visit, Mr Michael Armacost, a senior State Department official, is due to visit the capitals of the three countries involved over the next few days.

In return for Mr Shultz agreement to lend his weight to the Middle East peace effort the Israeli Prime Minister is reported to have promised to make substantial improvements in the running of the occupied West Bank and Gaza regions.

Among the relaxations and concessions are likely to be the appointment of Arab mayors for the three West Bank municipalities currently headed by Israeli army officers, an increase in Palestinian family unifications in the occupied territories and the setting up of a committee to look into the industrial development of the West Bank.

According to the leading Israeli daily Yediot Ahronot, during his talks in Washington Mr Peres suggested that a six-man committee made up of two Jordanians, two Palestinians and two Israelis be set up, to discuss the holding of direct negotiations under an international umbrella.

US steel union accepts pay cut

By Terry Dodsworth in New York

WORKERS at LTV Steel, the heavily loss-making US steel manufacturer, have accepted deep wage and benefit cuts in a contract which is expected to pave the way to a round of pay concessions in the rest of the industry.

The LTV contract, which also includes a pace-setting profit and stock-sharing clause, gained majority approval by the group's 30,500 members of the United Steelworkers of America Union (USW) at the weekend, when 61 per cent voted in favour. Agreement was reached in spite of strong opposition in some parts of the workforce, the first employee body to vote under the new system of individual company bargaining instituted this year.

As the LTV deal was concluded, talks in most of the other contract negotiations were suspended to allow both the unions and management to reassess their positions. Most companies had aimed to reach conclusion in their negotiations by the beginning of April, but some details of the LTV agreement have stirred controversy elsewhere in the industry.

The most delicate issue is the question of overtime reductions and cuts in the use of non-union contractors. Both of these devices have been increasingly used in recent years to reduce steel companies' costs.

The cuts in remuneration have fallen particularly heavily on health care support. Some paid holidays have also been eliminated and cost of living increases abandoned in a deal which LTV believes will cut its overall labour costs from $25.19 an hour to $21.59 an hour. Cash wages will fall by almost 9 per cent. to $11.63 an hour from $12.77.

In return for these reductions, however, the union has won the right to a share in future profits and a stock fund, as well as the right to union representation in negotiations on the sale of any plant in the group.

Stoppages hit Norway's oil and gas output

BY FAY GJESTER IN OSLO

OIL and gas output in Norway's part of the North Sea was shut down yesterday by a combination of strikes and lock-outs—and the stoppage seemed set to continue for some time.

The lost production is worth an estimated NKr 250m (£23.5m) per day. Fuel affected includes Frigg, which straddles the UK/Norwegian sector boundary and exports all its gas to the UK. Production on the British side of the field is continuing as usual, but supplies to Britain will be hit; the Norwegian share of Frigg's output is just over 60 per cent.

The immediate cause of the stoppage is a pay demand by production platform catering crews. In the seasonal bargaining between unions and employers, the catering workers' union is this year seeking wage parity for its members with other offshore workers. The oil companies have refused to grant this, claiming that it would involve pay increases of around 28 per cent for the 600 people involved—many of them women.

Soon after midnight on Saturday, a Government conciliation officer abandoned a last-minute attempt to arbitrate, saying the gap between the two sides was unbridgeable. The catering workers downed tools and simultaneously — as they had warned they would — the employers declared a lock-out of all other workers on Norwegian production installations —around 3,000.

The present low level of oil prices and the upcoming Organisation of Petroleum Exporting Countries (Opec) meeting on April 15, could well restrain the Norwegian Government from intervening to force a resumption of work at present. In the past, it has stepped in quickly in order compulsory settlement of offshore disputes because of the industry's importance as a foreign exchange earner and a source of tax revenue.

Yesterday the Minister of Labour, Mr Arne Rettedal, said there would be no Government intervention "for the first few weeks," provided safety rules were followed. Even during a stoppage, skeleton crews have to be kept on the platforms.

The dispute could spread next week from production installations to the mobile rigs which drill exploration wells. A final attempt at arbitration between rig owners and employees will be made on Thursday.

Oil price drop forces staff cuts in Abu Dhabi

BY ANGELA DICKSON IN DUBAI

FALLING oil prices have forced the Abu Dhabi National Oil Company (Adnoc) to make staff cuts throughout its 20-odd subsidiaries. Hardest hit is the $6bn (£40.8bn) Upper Zakum project which last week axed 140 jobs, over 50 of which are engineers earning between $4,000-$6,000 per month.

Abu Dhabi crude prices recently fell from a 1981 high of around $34 per barrel to around $12 per barrel. Oil production accounts for over 90 per cent of Abu Dhabi's gross national product.

All Adnoc subsidiaries have been requested to submit detailed information on expenditure, together with proposals for economies to be made. Some of the subsidiaries are considering staff cuts of 10-15 per cent by the end of June.

Economies are expected to be made across the board. Industry officials said Adnoc has asked the companies to cut unnecessary expenditure and to reduce operating costs. Adnoc is asking operators to contract out certain work by tender, including catering, cleaning and maintenance.

The operator of the Upper Zakum field is the Zakum Development Company (Zadco), formed in the late 1970s to develop and operate the difficult Upper Zakum oilfield at an estimated cost of $2bn. The actual costs have been calculated at closer to $6bn.

The field, which has an eventual capacity of 500,000 barrels per day, has recently been producing around 150,000 b/d. Zadco's shareholders are Adnoc itself and Japan Oil Development Company.

US 'will safeguard' free flow of oil through Gulf

BY KATHY EVANS IN BAHRAIN

US VICE PRESIDENT George Bush said yesterday that Washington was committed to safeguarding freedom of navigation in international waters and the free flow of oil through the Gulf.

Mr Bush's declaration came just one day after an attack by Iranian helicopters on a Saudi-owned oil tanker, the Petrostar, just off the coast of neighbouring Qatar.

Speaking at a breakfast meeting for 500 resident American businessmen in the Saudi capital Riyadh, where he is on a three-day visit, the vice president said that after last month's action by the US in the Gulf of Sirte off Libya, no one should doubt that Washington was committed to the principle of freedom of navigation in international waters. Similarly, no one should question the seriousness of the US commitment to the security of the Gulf states, he said.

In the past two days, the Gulf states have witnessed an unparalleled display of support for their security by high-ranking US officials. Mr Bush's visit was preceded by that of Mr Richard Murphy, US under secretary for near-Eastern affairs, to Abu Dhabi and Kuwait.

Mr Bush was reported to have dined with Sheikh Ahmed Zaki Yamani, Saudi Oil Minister, together with Mr William Cutler, US ambassador to Saudi Arabia. In Kuwait, Mr Murphy had an hour-long meeting with Sheikh Ali Khalifa al Sabah, Kuwait's Oil Minister. However, few analysts expect the visits to achieve anything on the oil front.

Egyptians trim public spending

By Our Cairo Correspondent

EGYPT IS reducing government expenditures by E£300m (£525m) as part of an austerity drive that saw the unveiling at the weekend of a number of measures aimed at increasing the tax burden on the rich.

But these measures, which include higher charges for luxury goods, do not attack the most serious problems afflicting the Egyptian economy such as a bloated subsidy system and lack of an effective regime to curb imports.

The Government hopes to reduce expenditures by sharply limiting the number of officials travelling abroad and banning purchases of new government cars.

Ministers appear to be having difficulty agreeing on a comprehensive programme to tackle Egypt's economic crisis because of fears of stirring up social unrest.

Bulgaria warned to expect management changes

BY PATRICK BLUM IN SOFIA

BULGARIA'S Communist Party Congress ended on Saturday with a tough speech from Mr Todor Zhivkov, the party leader, who warned of large-scale changes among personnel in the country's managerial and industrial organisations.

There were no surprises in voting for party posts. About one third of the 194-strong central committee places were taken by new members, but there were no changes in the Politburo, its candidate members or the powerful central committee secretariat. Few changes had been expected following a sweeping series of reforms within the party's most important bodies in the build-up to the Congress.

Mr Zhivkov was unanimously re-elected party general secretary. In his closing speech, he warned of changes in the country's economic management structures. Serious problems had, he said, emerged recently in important sectors of the economy and industry. These had been caused by natural disasters, but industry also suffered from poor management and inefficiency.

Mr Zhivkov emphasised the need for a scientific and technological revolution, but he dismissed suggestions that the party was falling prey to "fashionable leanings" in its drive to modernise.

The management apparatus is to be "reconstructed" to deal with the new tasks. A new style of work was needed. Incentives would be given to encourage efficiency and the production of consumer goods expanded to meet demand.

Broederbond seeks meeting with ANC

BY PATTI WALDMEIR IN LUSAKA

SOUTH AFRICA's most influential Afrikaner association, the secret Afrikaner Broederbond, which claims many top government officials among its membership, has sought a meeting with the banned African aNtional Congress, the leading nationalist organisation fighting white rule in South Africa.

It is understood at the ANC headquarters in Lusaka that officials of the Broederbond, (the Brotherhood), have approached the organisation through an intermediary, proposing talks. The national executive committee of the ANC, its top policy-making body, has met to consider the request and has sought more information on the proposed purpose of the meeting and which Broederbond officials would attend.

The executive's initial response to the approach is understood to have been negative, although a future meeting was not ruled out.

Over the past six months, the ANC has held talks at its Zambian headquarters, in neighbouring Zimbabwe and Mozambique and in Europe, with a wide range of interest groups from South Africa. The aim has been to form a broad-based anti- apartheid alliance to increase domestic political pressure on the South African regime.

It has met groups ranging from liberal white businessmen, opposition white politicians and Afrikaner intellectuals to church leaders, black trade union officials and the leader of one of South Africa's so-called black homelands, Ka Ngwane.

Talks with the Broederbond, however, would represent the closest step yet to negotiations between the ANC and the Government of President P W Botha. While the ANC's formal position is that it will only negotiate with a defeated white regime which is preparing to hand over power and that it is still too premature to consider even talks about talks.

The thrust of the so-called "grand alliance" strategy is clearly to prepare for the possibility of negotiations at some earlier stage. The timing of such talks appears to be a subject of debate within the ranks of the ANC leadership.

Cap sought on liability awards

By Our New York Correspondent

THE US Government is considering moves that would produce drastic cuts in the amount of damages injured parties could collect in liability actions against federal agencies or employees.

Draft legislation on the issue, which ties in with the broader question of reform in the US legal liability system, is now being circulated in Washington. Actions against government contractors may also be brought into the field of the legislation.

Placing a cap on the amount of damages appropriate in any particular action was among the main proposals made by a government committee looking into the problems that have arisen over the shortage of product liability insurance in the US.

Poisoned Italian wine leads to more arrests

BY JAMES BUXTON IN ROME

AS ITALIAN carabinieri continued to arrest wine makers suspected of producing wine containing illegal quantities of methanol, Mr Bettino Craxi, the Prime Minister, made a strong attack on the "authentic criminals" responsible.

They had not only endangered the lives of thousands and caused numerous deaths, be said, but had also caused "great damage to the Italian economy" and to the "image" of Italy in the world. He called on the judicial authorities to act swiftly and severely against them.

Carabinieri, who are still discovering more and more quantities of poisonous wine in wineries and shops, yesterday arrested Mr Carlo Bernardi, who runs a wine-making and wholesale operation at Parma

Mr Bernardi, who is accused of putting illegal quantities of methyl alcohol or methanol into wine, is thought to be one of the chief producers of the poisonous wine.

Three others, also under arrest, are from Narzole in Piedmont, Solarolo in Emilia-Romagna and Manduria in Apulia.

These centres sold the adulterated wine to other wine makers who bottled and labelled it and then sold it to shops and supermarkets. The Ministry of Health has now published the names of more than 60 wine-makers whose products are either adulterated or are suspected of being so.

Mandela says blacks now ready to face violence

THE black nationalist leader Mrs Winnie Mandela, yesterday dismissed as "nothing new" her militant call for black South Africans to intensify their struggle against apartheid, Reuter reports from Soweto.

On Saturday, Mrs Mandela had urged black people to enter a new phase of "direct action" aimed at "physically dismantling" South Africa's apartheid system. She had been addressing a cheering crowd at Pathakahle, in the Orange Free State.

Yesterday, back in her home in Soweto, she said: "I meant nothing new other than a response to our exiled leaders' call that the people's war is on.

"We know Pretoria will mete out violence. We are saying we are now more than ever before prepared to face that violence."

Mrs Mandela, whose husband Nelson Mandela is recognised as leader of the banned African National Congress (ANC) although he has spent 24 years in jail, was referring to recent statements by the movement's leadership-in-exile calling for an intensified armed struggle inside South Africa.

"If Pretoria wants blood for blood, that is the only honourable answer," she declared.

South African media did not carry Mrs Mandela's Saturday speech, in which she said the time would come when blacks would be called on to go into "lilly-white" areas and "take over your wealth

● Police yesterday reported six more deaths in black protest violence which has claimed 1,400 lives in 26 months.

Tighter EEC rules urged

BY MAGGIE FORD IN BRUSSELS

MEASURES TAKEN by the Italian authorities in the wake of the poisoned wine scandal are to be reviewed by officials at the European Commission this week as pressure mounts for changes in the rules governing labelling of wine.

Italy has already informed the Commission that all wines now being exported are to carry a certificate containing an analysis of the amount of methyl alcohol in the wine. A small amount of the additive is allowed, but the wine which has caused the deaths of 17 people has contained more than 10 times as much.

The new wine scandal has prompted members of the European Democratic group at the European Parliament to press on with their campaign, started after last year's revelations that Austrian wine had been contaminated. The MEPs believe that all wine sold in the EEC should carry a list of ingredients similar to that found on processed food. Manufacturing methods which alter the character of the wine such as adding sugar, preservatives or pasteurisation would also be shown.

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FT reporters discuss the realignment of the European Monetary System and the decision to alter the EEC's approach to mixed trade credits

How Balladur won his EMS deal

BY PAUL CHEESERIGHT IN OOTMARSUM, NETHERLANDS

THE FRENCH started it. The others were not enthusiastic. Nobody obtained what they wanted exactly. But everybody smiled at the end. Realistic, moderate, they said.

In essence that was the story of the ninth realignment of the European Monetary System exchange rates, negotiated over the weekend by European Community finance ministers at Ootmarsun which sits in one of the few sloping corners of the Netherlands. And it was a story that unfolded in relative tranquility for veterans of previous negotiations.

"I can remember the hectic developments in Brussels three years ago, when people went out on to the streets shouting —and they weren't journalists," recalled Dr Onno Ruding, the Dutch Finance Minister. "This meeting is rather quiet."

He should know. He was the chairman at the weekend although there was a suggestion at one stage that a neutral ought to take over as the Dutch had the immediate future of the guilder at stake.

Mr Nigel Lawson was the obvious candidate for disinterested chairman because Britain was on the sidelines, and he could do what Sir Geoffrey Howe, his predecessor as Chancellor of the Exchequer, had done for the last major realignment in March 1983. z

But the chairmanship was less of a problem because the main deal was struck bilaterally between the two main players—Mr Edouard Balladur, Finance Miinster of France, and Dr Gerhard Stoltenberg, his West German counterpart. That could only come after essential preliminary sparring, however.

When, on Thursday evening, Mr Balladur started telephoning round other Community finance ministers who had been half expecting the call, the response to his suggestion of a French devaluation against the Deutschemark was cool.

Senior Treasury officials and central bankers making up the EEC's Monetary Committee, made only limited headway with the matter on Friday evening, leaving all the qey questions to be decided by the ministers on Saturday.

Before he got down to detailed haggling, Mr Balladur had to justify the need for change. None of his colleagues would accept his starting point of an 8 per cent devaluation against the D-mark. To some it smacked of a competitive devaluation. Others did not appear to be impressed with the measures to accompany it —the main thrust of them was already declared policy of the new French Government, and there was little fresh.

Apparently it was left to Dr Hans Tietmeyer, the West German state secretary for finance to make clear that Bonn might accept a 6 per cent devaluation of the franc. Until mid afternoon Saturday Mr Balladur argued his case for a higher figure.

The Dutch, whose economy is so tightly linked to its giant neighbour's, knew they would have to follow West Germany but they did not initially seek a revaluation for the guilder. Belgium wanted no change for the Belgian franc, it saw no technical reason for one. Italy could not allow the lira to get too far out of line with the French franc. But Mr Balladur was sticking to 8 per cent.

Until the degree of devaluation between the French franc and the D-mark could be settled, ministers could not address the more detailed questions of how much the D-mark ought to go up from its central rate against the Euro- pean Currency Unit, how much the French franc could go down, and what would happen to the other currencies.

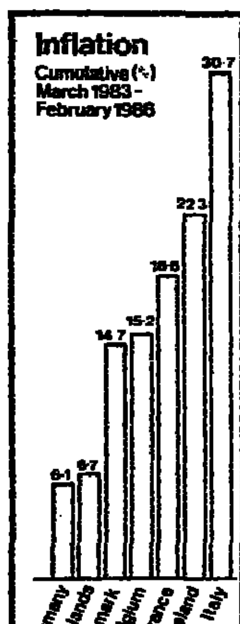
Late Saturday afternoon the matter shifted out of the conference room in the Hotel Wiemsel, where the ministers and their officials were isolated behind a police guard. Mr Balladur talked to Paris, Dr Stotenberg talked to Bonn and the two of them talked together. Dinner was evidently both a peaceable and lavish meal.

The officials and bankers of the Monetary Committee were elsewhere, working on a formula which would delay any immediate translation of the realignment into price rises for French and price falls for German and Dutch farmers. These will come out in the wash of an eventual price fixing agreement to be negotiated by the Community's farm ministers.

Yesterday morning it all clicked together. In three quarters of an hour there was a new parity grid, starting from a 6 per cent devaluation of the French franc against the D-mark. After what had appeared to be the deadlock of the previous day, the speed was breathtaking. And it gave substance to the view of an official from one of the smaller players. "The length of the negotiations was purely symbolic," he said.

The French had to be seen to be negotiating for three days and the rest had to be seen to be resisting a change they knew was pre-ordained from the moment the Thursday evening telephone calls came in.

In fact, the official said, the matter could have been settled in half a day. Politicians were playing the theatre of hardship in defence of national interests. When honour was satisfied, many happily departed late yesterday morning on a magical mystery coach tour organised by the Dutch Government.



West Germany can take revaluation 'in its stride'

BY OUR FOREIGN STAFF

THE WEST GERMAN economy, set to achieve another record trade surplus this year, will be able to take this weekend's revaluation of the D-mark in its stride, Mr Gerhard Stoltenberg, the Finance Minister, said yesterday.

Mr Stoltenberg insisted that the 3 per cent upward shift in the D-mark's parity would bring "no disadvantages" for the economy.

It was a natural response to the differentials in both inflation and production costs (of 13 and 11 per cent respectively) between France and West Germany since the last major realignment of the EMS in March 1983. The competitiveness of German industry would not be affected, he said.

The main anxiety in Bonn now surrounds the eventual fall in prices for German farmers implied by the currency changes.

Mr Ignaz Kiechle, the Bonn Agriculture Minister who is fighting EEC proposals for price cuts in the forthcoming farm season, served notice yesterday that the Government would pay national subsidies to protect farmers' incomes, should the negotiations, due to resume on April 21, not yield a satisfactory result.

Mr H. Onno Rudring, the Dutch Finance Minister, praised the French for accepting a smaller 6 per cent devaluation of the franc against the D-mark instead of the 8 per cent originally demanded and viewed the 3 per cent revaluation of the Dutch guilder as favourable for lower interest rates.

"Our exports to West Germany won't be jeopardised," Mr Ruding reportedly added.

The overall Dutch trade surplus will strink by 2 per cent, according to some EEC calculations, but Mr Ruding optimistically forecast that the damage would be smaller because of higher sales prices and the Netherlands' strong international competitive position due to low inflation.

Finance Minister, said his key objectives of sustaining a downward trend in the Irish inflation rate and creating conditions for an early fall in domestic interest rates had been "fully achieved" in the EMS realignment.

The Irish punt effectively undergoes no overall change in its value against the European Currency Unit,

Speaking on Irish radio yesterday, he said that he expected an immediate removal of a three percentage point rise in lending rates to business imposed in February.

One effect for Ireland of the revaluation of the D-mark is to add to the cost of its $9bn foreign debt, about one third of which is denominated in D-marks. However, Mr Bruton and central bank officials predicted that this should be significantly outweighed by the effect of falling interest rates.

In Denmark, both the Government and the opposition Social Democratic Party were satisfied with yesterday's readjustment, in which the krone was revalued by 1 per cent.

Spanish Finance and Economy Minister, Mr Carlos Solchaga said yesterday a devaluation of the peseta was not expected.

Lawson sits on sidelines after resisting UK membership

BY ROBERT GRAHAM

THIS WEEKEND'S realignment of the European Monetary System passed off with none of the speculation about sterling's entry into the exchange rate mechanism that might have been expected three weeks ago. The meeting in Ootmarsum turned out a Franco-German affair, and Mr Nigel Lawson, Britain's Chancellor of the Exchequer, took a back seat.

London's financial markets have for the most part been longing for the UK to become a full member of the EMS. That they did not anticipate sterling's entry this weekend represents a triumph for the virtues of repetition.

Both Mr Lawson and Mrs Thatcher have in the past month said again and again that the time is not yet ripe for sterling to join the EMS exchange rate mechanism (ERM). The markets have agreed that if the time was not ripe a month ago, when the exchange rate stood at DM 3.20 to the pound, then it is certainly not ripe now, when a rate of DM 3.46 makes British exports less competitive.

But the level of sterling is not the only, or even the main reason why the Government has resisted calls from industrialists, economists and Europhiles for Britain to join the ERM. Although many at the Treasury —including, it is thought, the Chancellor—have now been won over to the EMS, there remains considerable anxiety about how sterling would behave within the mechanism.

In the first place, sterling's sensitivity to oil price fluctuations is still a problem. Lower oil prices would generally be expected to weaken the pound but strengthen other European currencies.

The second problem is that sterling, like the D-mark but unlike the other ERM members, is one of the main international investment currencies

A substantial shift of investment out of the dollar, as has taken place over the past year, could lead to a swing in the Sterling/D-mark exchange rate depending on how international investors redistributed their portfolios between the two currencies.

The French franc has to a great extent been insulated from this portfolio shift effect by exchange controls, but these are now to be dismantled.

Neither of these two arguments against sterling's membership carries the weight it once did. Oil prices have fallen so far now that their effect on sterling has diminished.

Over the last two weeks, indeed, the pound has strengthened when oil prices fell. This was because the improved outlook for inflation meant that UK real interest rates, already high by comparison with the rest of the world, began to look even higher.

The argument floated recently by Mr Lawson — that the Labour Party's opposition to ERM membership makes it undesirable to join for fear of turning the exchange rate into a political football — has won little acceptance. Treasury officials advance it with some embarrassment.

There remain, however, other reasons for at least deferring UK entry. The gap between West German inflation at 0.1 per cent a year and UK inflation at 5.1 per cent is still wide, and although full EMS membership would be expected to help narrow this gap, it might require the maintenance of high UK interest rates

It is felt in Whitehall that domestic monetary objectives or an exchange rate target are genuine substitutes for the sort of financial discipline implied by membership of the exchange rate mechanism.

Yet officials who remember spending over £1bn of foreign exchange reserves and raising interest rates from 5 per cent to 7½ per cent to defend sterling during its brief membership of the European "snake" in 1972 remain worried about tieing the pound once again to a fixed exchange rate target.

The Chancellor found this weekend's gathering in Ootmarsum and its outcome for the EMS satisfactory, but he has not yet changed his judgement that the time is still unripe for Britain to take more than a backseat role.

Mixed credits stance changed

BY PAUL CHEESERIGHT

THE European Community is prepared to move towards the US position in bringing mixed credit financing packages under stricter control by raising the minimum amount of aid in such packages for the poorest countries to 50 per cent.

Finance ministers this weekend worked out a negotiating mandate for the European Commission for when talks start on mixed credits at the Organisation of Economic Co-operation and Development (OECD) in Paris later this month.

Mixed credits bring together concessional finance with ordinary export credits in packages to finance the export of capital goods from the industrialised countries.

But the Netherlands Government which, with that of West Germany, was voted down on the terms of the negotiating mandate, is considering whether to take the matter to the European Court of Justice.

It is arguing that because the mandate concerns aid as well as trade, it should have been settled by unanimous agreement. A qualified majority it suggests, may not be appropriate.

The mandate is in two parts. The first deals with the level of aid in mixed credits.

The Community is agreed that in packages for relatively rich countries, there should be no aid at all. For the poorest countries the minimum aid level should go up immediately from 25 per cent to 50 per cent.

For countries in between these two categories recognised by the OECD, the minimum aid element should be raised from 25 to 30 per cent now and to 35 per cent in May 1987.

The second part of the mandate relates to the discount factor used in quantifying the amount of aid in a mixed credits package. This factor allows for the diminishing value of money over time and is presently set at an arbitrary 10 per cent.

As such, it makes the composition of mixed credit packages less costly to countries with a low level of interest rates. This is why West Germany and the Netherlands were against any change.

As it is, the mandate provides for the discount factor to be worked out on a differential basis, related to movements in market interest rates.

The idea, while appealing to countries like France and Italy, is expected to be opposed in Paris by Switzerland and Japan, a factor which led Dr Onno Ruding, the Dutch Finance Minister, to predict the community position might not be accepted within the OECD.

Baker plan may need earlier increase in World Bank capital

BY STEWART FLEMING IN WASHINGTON

THE RAPID rise in World Bank lending anticipated under the "Baker Plan" may require an earlier increase in the World Bank's capital than was initially assumed.

This is one of the conclusions of a study the bank has prepared on implementing the so-called "Baker Plan." The plan is aimed at speeding economic growth in a group of middle-income developing countries, and was launched by Mr James Baker, US Treasury Secretary.

The study will be on the agenda of the development committee of the World Bank in Washington this week.

Bank officials say they believe that implementing the "Baker Plan" will require a capital increase for the institution.

This is because of the outlook for the flow of external finance to developing countries, including the moderate level of commercial bank lending expected, and the fact that more funds will have to come in the early stages of economic reforms.

Much depends on the willingness of borrowing countries to adopt the economic reform programmes which will trigger increased World Bank lending. But there are already signs that demand for World Bank loans could be increasing.

The World Bank has just approved a $350m (£250m) structural reform loan for Argentina, and some officials say that progress is being made in agreeing a substantial loan for Mexico.

World Bank officials are suggesting that in its financial year ending in June, the Bank will raise its lending to between $12bn and $13.5bn—up from $11.4bn in 1985.

They estimate that the maximum sustainable lending level without a capital increase is $14bn a year and clearly believe that this level could be approached next year. This, they say, would make a capital increase a matter of greater urgency.

A senior US Treasury official said last week that the US still believes the World Bank has adequate capital resources to cover the extra $2bn a year of lending envisaged during the three-year time-scale for the Baker plan.

But the US has made it clear it would be willing to look at the need for increased capital if it became obvious that demand for bank loans was increasing more sharply than expected.

West set to block call for new SDR issue

BY PHILIP STEPHENS N WASHINGTON

LEADING industrialised nations are set to block a call from developing countries for a new issue of the International Monetary Fund's Special Drawing Rights (SDRs).

The developing countries supported by France and several smaller Western nations, want the SDR issue to boost the reserve holdings of heavily-indebted nations and to ease what they see as a shortage of international liquidity.

In preparations for this week's meeting of the IMF's interim committee, however, the US, Japan and West Germany have said they will oppose a new allocation.

The governments of those countries argue that there is no overall liquidity shortage and that an SDR issue would sen the wrong signal to less-developed nations which still need to undertake fundamental economic reform.

East German orders for Deutsche Babcock

Deutsche Babcock won several East German orders, including two for water purification plants, at last month's Leipzig industrial trade fair, Reuter reports from Oberhausen. The company would not say how many orders were received or how much they are worth. Babcock said it has also won orders for a timber plant and for fittings for non-nuclear power stations. Babcock is 25.02 per cent-owned by the Republic of Iran.

Manila to ask IMF for loans this week

By Samuel Senoren in Manila

THE GOVERNMENT of President Corazon Aquino will this week formally ask the International Monetary Fund (IMF) and the World Bank to disburse immediately loans committed to the ousted President Ferdinand Marco's régime which had not been drawn because certain conditions had not been met.

The Philippines has an undisturbed balance of Special Drawing Rights 212m (£127m) from a loan of SDR 615m negotiated by the government of Mr Marcos in late 1984.

Mrs Aquino's six-week old Government which is in need of cash to finance its operations, also hopes to obtain at least $100m from the World Bank.

Mr Jaime Ongpin, the Finance Minister, said the Aquino government would ask the IMF to release the balance of the loan even if the original terms could not be met.

One of the key conditions that is proving impossible to achieve concerns the ceiling on the Government's cash budget deficit.

The Qquino Government expects the shortfall to be at least Pesos 20bn (£813m) for 1986, nearly double the Pesos 13bn deficit allowed by the IMF in 1985.

Release of the IM Floan is vital because without it, the Philippines will not be able to draw on the remaining $350m balance of the $925m new money committed by more than 400 international banks under the $10bn debt restructuring package reached in May 1985.

In spite of warnings by Mrs Aquino's Government has decided to borrow more foreign loans to help rebuild the economy which had been mismanaged in the final years of the Marcos regime.

The economy is projected to grow by between 1.5 and 2.0 per cent this year, compared with a negative growth of 4 per cent in 1985.

Mrs Aquino is to meet Mr Caspar Weinberger, the US Defence Secretary, in Manila today to discuss prospects for increased economic and military aid under the military bases agreement.

● Mr Marcos is seeking sanctuary in the English-speaking Caribbean. A Marcos aide has approached the St Vincent Government seeking refuge for Mr Marcos and his family who are now in Hawaii, Our Port of Spain Correspondent reports.

UK hopes dim over E. German deal

BY DAVID BUCHAN IN LONDON AND LESLIE COLITT IN BERLIN

BRITAIN'S hopes of clinching its first major contract in East Germany for several years, and so narrowing a chronic trade deficit, have dimmed.

This follows an East German claim that Davy Corporation's £40m bid to supply a Berlin heating plant with desulphurisation equipment is "well above" a rival West German bid.

Dr Graham Raper, Davy's chief executive, said late last week: "We are in the midst of final detailed negotiations, and it would be inappropriate to comment on any aspect of these contract negotiations at this time."

But Davy officials say their patented Wellman-Lord desulphurisation process has cost-saving and environmental advantages, which should command a price premium.

A senior East German official in London said Mannesmann of West Germany had offered an alternative sulphur-cleaning process for the Rummelsburg plant at a "considerably lower price" of £35m.

He cited the higher Davy bid as an example of the difficulty many UK companies were having in matching other Western companies in competing for East German business.

East Germany, he admitted, had for a long time run a trade surplus with Britain, which reached a record £140m last year.

But the East Berlin government was doubling the amount of contracts on which it invited UK companies to bid, from around £200m-worth last year to some £400m this year. The trade imbalance would only lessen if Davy and other UK companies offered better terms, he said.

The UK Department of Trade and Industry said the Rummelsburg contract decision would be a sign of whether East Germany was serious about its frequently-stated desire to diversify its Western trade away from a heavy concentration on West Germany.

If Davy were turned down, it was even suggested that UK ministers "might want to revise their attitude" to East Germany, with fewer political as well as economic contacts.

UK officials said Davy had worked hard for the Berlin deal, the signing of which was first scheduled for last month's Leipzig trade fair in the presence of Lord Lucas, a junior UK trade minister, then for a subsequent occasion, only to be cancelled at the last minute.

The road to East German contracts "is littered with the corpses of UK companies who have worked long and hard and not got there in the end," said a UK trade official. GKN won the last major UK deal in East Germany in 1982 with an £80m truck forge contract.

Davy and the DTI described price—on which the East Germans were clearly trying to beat the UK company down further—as only half the story.

The Wellman-Lord process, they claimed, had the advantage over other sulphur-cleaning systems of not requiring trucks daily to ferry limestone to the plant, and gypsum away from the plant. It also produced *industrially-usable sulphur dioxide* as a by-product.

East German officials had been shown these advantages at some of the five plants in Austria and West Germany where Davy is installing its Wellman-Lord process.

Bulgaria to stay cautious on foreign borrowing

BY PATRICK BLUM IN SOFIA

BULGARIA will remain cautious in its foreign borrowing despite heavy investment plans to modernise industry during the next five years.

Mr Ivan Dragnevski, chairman of the Bulgarian Foreign Trade Bank, said Bulgaria was unlikely to return to the international money markets for loans before the autumn and possibly not before next year.

Bulgaria will continue to strive to keep its external debt in hard currency to a minimum, he said.

I certainly cannot see the foreign trade bank going to the Euromarket at least until September and I even doubt that we'll go to the market before the end of the year," he added.

Bulgaria intends to increase its trade and its imports sharply in the coming five years, especially in advanced technologies, electronics and machinery.

But Western trade restrictions on high technology exports to countries of the East bloc are expected to encourage a greater integration in the economies and trade between the Comecon members.

Bulgaria surprised the international money markets by resuming borrowing last year after an absence of several years.

Last year's borrowing undertaken in the summer and autumn were for three major loans totalling $470m (£335m).

The country's foreign debt is a state secret but it is known to be the lowest among Comecon countries and Bulgaria's good standing has enabled it to borrow on good terms.

A new "economic bank" is currently being set up to finance large companies which will take some of the functions of the Foreign Trade Bank.

Meanwhile, Mr Dragnevski said the Foreign Trade Bank will be expanding its role

SHIPPING REPORT

Container market 'may be set for upturn'

BY ANDREW FISHER, SHIPPING CORRESPONDENT

IT WAS a sluggish week for world shipping, but further signs emerged that some markets may be set for an upturn.

This time, UK shipbroker Lambert Brothers takes the view that prospects for seaborne trade and shipping had measurably improved. A week ago, R S Platou of Norway said that the long and painful period of restructuring could be ending.

Lambert believes increased demand for ships would be concentrated in the container and other general and specialised cargo sectors. Demand for tankers should also rise slightly, for the first time in many years.

More than 45 per cent of the tanker fleet consists of ships which will be 15 or more years old in the next five years, in which case many will become increasingly uneconomical.

The tanker fleet would be reduced by a further 7-10 per cent in 1986 as a result of scrapping and low investment, bringing the market closer to balance.

Lev Sychrava Associates, the consultants who helped produce the Lambert report, said overall world trade volume should increase by 4.6 per cent, against 3.1 per cent last year, with seaborne trade up by 1.3 per cent, against a fall of 0.7 per cent.

World Economic Indicators

INDUSTRIAL PRODUCTION (1980 = 100)

					% change over previous year
	Feb. 86	Jan. 86	Dec. 85	Feb. 85	
US	115.7	116.5	116.3	113.9	+1.6
	Jan. 86	Dec. 85	Nov. 85	Jan. 85	
UK	109.4	107.7	110.3	106.1	+3.1
W. Germany	106.3	103.7	107.9	103.1	+3.1
Japan	121.3	122.0	121.2	120.4	+0.8
	Dec. 85	Nov. 85	Oct. 85	Dec. 84	
France	101.5	104.1	102.0	99.4	+2.1
Italy	97.4	98.5	96.0	98.1	−0.7
Netherlands	99.5	109.2	102.6	98.9	+0.6

Source (except US, UK, Japan): Eurostat

US seeks textile talks

The US Commerce Department has imposed provisional quotas on textiles and clothing from five countries to curb their exports to the US, Reuter reports from Washington.

Department officials said they have requested talks with the five countries—Bulgaria, China, India, South Africa and Thailand—and that the quotas would become permanent if agreed shipment levels could not be reached.

Congress approved legislation last year cutting textile imports, but President Ronald Reagan vetoed it on grounds the curb would invite trade retaliation by the nations hit.

Moscow's trade with West goes into deficit

By Our Moscow Correspondent

SOVIET TRADE with the West went in deficit last year, according to official figures published yesterday. The deficit was largely due to a drop in oil revenues.

Overall turnover with the West also declined, from roubles 40.9bn (£38.6bn) in 1984 to roubles 37.8bn in 1985. Imports dropped only marginally, by roubles 37.8bn in 1985. Imports while exports fell sharply from roubles 21.3bn to roubles 18.6bn.

Economic experts in Moscow attributed most of the shortfall in exports to last year's drop in the US dollar, the currency in which oil is traded in the spot markets, against the D-mark.

The rise in the West German currency and the yen also made imports, mostly from Japan and Western Europe, more expensive.

With more than 60 per cent of Soviet foreign-currency earnings coming from oil, the impact of currency fluctuations on export revenues was significant, the experts said.

But they added that the drastic effect on Soviet trade from the drop in world oil prices would only start to be seen in the results for the first quarter of 1986. The decline is likely to slow efforts by Mr Mikhail Gorbachev, the Kremlin leader, to revitalise the economy.

West Germany continued to be the Soviet Union's top Western trader, despite a small drop in 1985, although Mr Martin Bangemann, West Germany's Economics Minister, has recently pledged to reverse the decline.

Trade with Britain, the US, France and Italy also declined, though Finland and Japan recorded small rises.

Soviet business with Comecon increased sharply from roubles 72.8bn to roubles 77.7bn, with exports continuing to outweigh imports.

Imports from Argentina rose by more than 10 per cent, mainly because of increased grain and other agricultural sales. Business with India maintained its steady rise, while trade with China almost doubled, from roubles 980m to roubles 1.6bn.

UK Provident to clarify finance position

BY ERIC SHORT

THE United Kingdom Provident Institution, a long-established mutual life company, is expected this week to make a statement setting out its financial position.

The move follows mounting speculation that the £1.7bn company, based in Salisbury, 90 miles west of London, is in difficulties.

Company officials yesterday refused to comment on renewed reports of problems or on any other aspect of the company's financial situation.

UK Provident is a traditional life company with about 300,000 policyholders, transacting mainly with-profits business. It made a successful entry to the unit-linked market last autumn, selling more than £100m ($147m) of linked-life bonds on launch day.

Its main with-profits business involves pooling investments and passing on the distributable surplus to policyholders as bonus additions to their guaranteed benefits.

This increasingly competitive business could be a potential source of trouble for any life company if it has, for example, used reserves to enable it to distribute more surplus than currently earned, undertaken ambitious investments and at the same time greatly increased its new business.

New life business costs money to put on the books and expenses are not usually recouped for two or three years.

UK Provident has been among the top performers for with-profit business

Insurance legislation puts strict controls on the assets covering a life company's liabilities. In addition a company's appointed actuary has to comment in his annual valuation if assets are mismatched with liabilities.

Mr Ron Bignell, UK Provident's appointed actuary since the beginning of the year, said yesterday that the 1984 valuation had not been queried by the Department of Trade and Industry except in certain aspects of presentation.

He said the company had no trouble meeting the statutory solvency margins. The company declared bonus rates at the beginning of this year that were unchanged from those of the previous year

Stefan Wagstyl reports on the crisis that threatens to destroy an industry

Cornish tin miners out to show their mettle

MINERS of Geevor Tin Mines, in Cornwall, south-west England, which stopped production on Friday, know that they may never go back to work again. But they are determined to fight to the end for the government aid without which the mine cannot survive.

The mothers and wives of some of the 358 miners wept as they watched the the last production shift come to the surface. In the evening, workers and their families packed the grey granite town hall in nearby St. Just, not far from Land's End.

They heard Mr David Harris, their Tory MP, break the news that Mrs Margaret Thatcher, Prime Minister, had virtually ruled out any prospects of short-term aid to keep Geevor open while detailed proposals for its long-term future are considered. He said: "This most certainly has to be one of the saddest days in our lives. But we have not lost yet." A voice shouted back: "Tell us what to do, Mr Harris. Tell us."

Thirty miles away near Camborne, the mood is only slightly less grim at the Wheal Jane, South Crofty and Pendarves mines, owned by Carnon Consolidated, a subsidiary of Rio Tinto-Zinc. The 1,150 miners are still working, but they fear the worst. Mr Brian Calver, managing director, says: "Without government aid there's no Cornish tin industry."

So should a Conservative government, particularly one vociferously committed to non-interventionist economic policies, step in and save this industry?

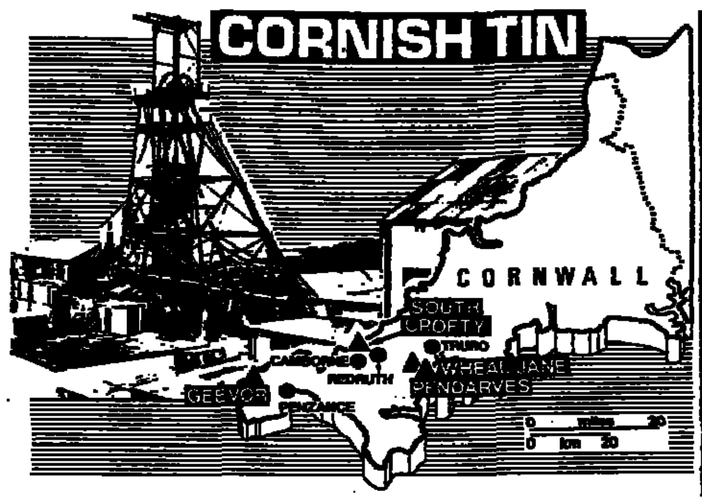
Geevor and Carnon are both victims of the international tin crisis caused by the default last October of the International Tin Council (ITC) which ran an inter-government price support pact. In the last six months tin prices have fallen from above £8,500 a tonne to under £4,000 – far below the production costs of the Cornish miners.

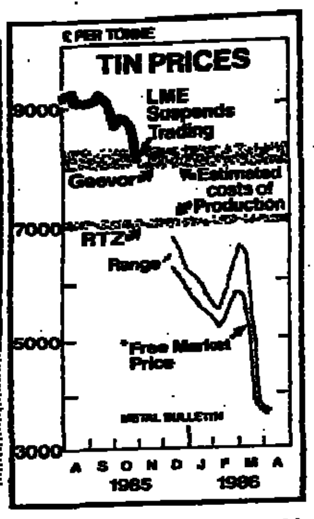
The price collapse has jeopardised a steady recovery in the Cornish tin mining over the past 10 years, during which production has risen by more than 50 per cent to more than tonnes last year – the highest total since 1918.

The House of Commons Select Committee on Trade and Industry, which held an inquiry into the tin crisis, had no doubts that the UK Government as a member of the ITC shared the blame for its default and so had a moral duty to support Cornwall. It argued that the industry deserved not only help with funding its capital projects but also immediate subsidies to tide it over a period of abnormally low prices.

However, Mrs Thatcher's letter to Mr Harris said that, while the Department of Trade and Industry would consider grants towards "viable projects," it was "very unlikely" that the Government would pay "any form of operational subsidy."

Unfortunately, for both Geevor and Carnon, the current tin price makes it difficult – on financial grounds alone – to make a convincing case for aid. At Geevor, a steady stream of recent investments, including a new underground sloping shaft opened in 1980, have raised output and lowered costs to about £8,500 a tonne in the first half of the financial year which ended last month.





Geevor's fundamental problem is that only 55 per cent of the ore going into its treatment plants comes from underground – the rest is low-grade material from old waste dumps. The chief part of the capital spending plan would involve reopening an old mine at nearby Botallack – a proposal which is not free from financial risk.

The company is applying for aid towards £16m of investments which would cut total costs to some £6,000 a tonne in about five years. On top of this it wants about £8m to meet running costs while the projects are completed.

Geevor is applying for aid under the 1982 Industrial Development Act, under which Cornwall qualified for regional selective assistance. Schemes can get capital grants of up to 40 per cent if they create or maintain employment or if they are "in the national interest" – a vague criterion which gives ministers some flexibility. But the rules also say that schemes must be "viable."

Like Geevor, Carnon has invested heavily. RTZ has put some £40m into the company since it bought the Wheal Jane mine in 1979. Carnon will be asking for help towards a capital investment of some £15m. The money would be largely spent at South Crofty, helping to cut overall company costs from just over £7,000 a tonne to some £5,500 in three or four years.

However, if Carnon is to remain open, it must fund its losses in the immediate future – with production running at some 5,000 tonnes a year, the company could lose £15m in a year if costs and prices stayed unchanged.

Price forecasts are, of course, crucial to the assessment of both companies. Analysts do expect a recovery as the stocks accumulated by the ITC are sold off, but it will be a very slow affair, especially if other governments also support their tin industries. Whitehall economists, who will judge the Cornish aid schemes, do not quarrel with forecasts of an average £4,500 a tonne for the next three years followed by a slow increase to about £7,000 a tonne in the mid-1990s.

The Cornish industry's supporters argue against taking a short-term view, saying that the tin reserves a strategic national asset which should not be wasted.

Those arguing against government intervention point out that the industry has been able to finance its recent recovery only with the help of the ITC's price support activities. Without that it might already have shut.

The Government will inevitably have to look beyond the financial considerations. Of the two companies, Carnon produces more tin at lower cost than Geevor. Its case therefore looks stronger. But could the Government contemplate giving financial aid to RTZ, a hugely profitable multinational?

Geevor has enough money to keep its plant in running order for a month and then will have to consider closing for good. Carnon has bigger resources – but it too cannot wait for ever.

TUC leader heckled at Murdoch protest

BY HELEN HAGUE, LABOUR STAFF

DEMONSTRATORS booed and jeered Mr Norman Willis, general secretary of the Trades Union Congress (TUC), yesterday when he said serious consideration should be given to the offer by Mr Rupert Murdoch, head of News International, to give the labour movement the former print works of the Times newspaper in Gray's Inn Road, London.

However, Mr Willis made it clear the offer might only be acceptable as part of a wider settlement of the dispute at Mr Murdoch's newspaper group.

The TUC general secretary was among labour movement leaders addressing a rally in Trafalgar Square called by the print unions in advance of a march yesterday evening to the News International printing plant at Wapping in east London.

He was heckled continually by elements of the crowd, which included large contingents of mineworkers from Yorkshire and South Wales, although he said Mr Murdoch's offer was inadequate in that the primary concern was for "print workers not print works."

Meanwhile, the widespread use by police of roadblocks near Mr Murdoch's Wapping plant, where residents are asked to identify themselves, is "wrong in principle and probably unlawful," the National Council for Civil Liberties claims in a report published today.

The report says that roadblocks and accompanying diversions of traffic and pedestrians in the vicinity of News International's plant are "unnecessary and unacceptable infringements of freedon of movement" and should be stopped.

Roadblocks have been used as part of the policing strategy arising from massed pickets of sacked printers protesting outside the plant.

The report concludes that police officers are giving greater priority to making sure that lorries delivering News International's newspapers have freedom of movement than to protecting the same rights of local residents who are not involved in the dispute.

At yesterday's rally, Mr Tony Dubbins, general secretary of the National Graphical Association (NGA), said that the dispute could only be resolved on the basis of jobs at News International for as many as possible of the 6,000 dismissed print workers, with adequate compensation for the remainder.

Mr Dubbins said that, if the offer of the print works was in full and final settlement of the dispute, as Mr Murdoch had suggested, it was quite unacceptable.

Other speakers also did not rule out the idea of taking over the Gray's Inn Road plant as part of an eventual deal although they were all circumspect.

Miss Brenda Dean, general secretary of the Sogat '82 print union, said: "Any labour newspaper could only be started on principle. It would not be a principle to accept the proposal as a resolution of this dispute."

Mr Harry Conroy, general secretary of the National Union of Journalists, told the rally he was disappointed that his members were still working at Wapping, in defiance of an instruction to strike.

Thatcher emphasises support for Joseph

BY JOHN HUNT

MRS MARGARET THATCHER, the Prime Minister, yesterday emphasised her "total support" for Sir Keith Joseph following speculation that he might soon be moved from his position as Education Secretary.

Sir Keith has already announced that he intends to leave the House of Commons at the next general election. The Government is under increasing pressure on the education front and controversy has been intensified by last week's speech by Mr Chris Patten, Minister of State for Education, strongly hinting that the Government is considering greater central control over Britain's schools.

Mrs Thatcher's remarks came in reply to a letter from Mr Giles Radice, the Labour Party's education spokesman, who had called on her to replace Sir Keith on the grounds that he no longer commanded the respect of parents or local education authorities.

Mr Radice interpreted her reply to mean that she had no intention of removing Sir Keith in the near future.

"He is her guru, and she is so concerned about her lack of support in Cabinet that she is hanging on to him for dear life," he commented.

In her reply, Mrs Thatcher says that she deeply resented the terms used about Sir Keith in Mr Radice's letter. Sir Keith, she believed, had done more to raise standards of education than any previous Secretary of State.

"As such, he has my total support as well as the admiration of everyone who is seriously interested in improving our education system," she said.

She refers to the increased spending per pupil under the Conservative Government but says that high standards will not be achieved simply by spending taxpayers' money.

Mr Radice said yesterday that in his original letter he had challenged Mrs Thatcher to disown the voucher system proposals and to reaffirm her belief in the state education system. He said that in her reply she had not responded to either of these points.

Labour lead 'increases'

LATEST PUBLIC opinion polls on the by-election at Fulham, west London, which takes place on Thursday, show Labour increasing its lead, the Conservatives in second place and the Social Democratic Party (SDP)/Liberal Alliance well behind, in third place, **John Hunt** writes.

The Harris poll in the Sunday Observer newspaper gives Labour 45 per cent, Conservatives 33 per cent and SDP 20 per cent.

Significantly, however, the poll still gives a high number of voters undecided – 25 per cent altogether but rising to 30 per cent among council house tenants.

The Observer poll suggests that the dispute within the Labour Party over the activities of supporters of Militant Tendency – the Marxist group – has not greatly damaged its chances of victory.

The by-election is caused by the death of the Tory MP for Fulham who held the seat with a majority of 4,789 at the last general election.

UK NEWS

Employers aim to ease staff relocation

By Vanora Bennett

THE UK employers' organisation, the Confederation of British Industry (CBI), today launches Europe's first employee relocation council to help iron out problems faced by employers moving staff around the UK and abroad.

Each year, about 250,000 people in the UK who have changed their jobs move house. The average cost of each move is £10,000 although it can be as much as £50,000. Employers spend at least £250m on removal costs, providing bridging loans for buying homes and other expenses.

Many companies have no clear idea of the cost of relocating staff, according to a study by Merrill Lynch Relocation Management International.

Almost one in five companies admitted not knowing how much they spent on moving staff. Only one in three accepted it was more than £6,000.

The council will be a clearing house where the growing number of British-based companies which relocate employees can pool their experience on costs.

The council aims to encourage the labour mobility vital for a growing company and dynamic economy.

Member companies will be able to obtain advice on relocation from a panel of CBI and other experts. They will also be able to contact each other through the council's directory

The council will also campaign for changes in legislation on national insurance and where tax problems arise.

At present, employees are subject to tax on all relocation payments but, in practice, the Inland Revenue says "reasonable" removal expenses are exempt from taxation. However, because local tax inspectors decide what are "reasonable" expenses, some employees can be treated less generously than others.

Another key issue to be examined by the council will be the gap between house prices in the north of the UK and in the south. Some employees in the north have turned down jobs in the south because they cannot afford to move.

Theft claims slow down

INSURANCE companies operating in the UK experienced the lowest increase in theft claims payments for several years, according to figures issued over the weekend by the Association of British Insurers, writes Eric Short.

The figures showed that theft claim payments in 1985 rose by 4.4 per cent to £334.5m. In previous years claim payments have been rising by 20 and 30 per cent

Britain prepares bid for long-term stake in fast reactor club

David Fishlock explains the background to Dounreay's plans to develop a plant to reprocess spent nuclear fuel

THE PUBLIC inquiry into nuclear industry plans for a £200m plant to reprocess spent nuclear fuel at Dounreay in the far north of Scotland opens today at Thurso Town Hall, 14 km from the nuclear site.

The inquiry, originally scheduled for mid-February, was postponed by Mr Alexander Bell who, as reporter, is the Scottish equivalent of the inspector appointed to preside over public inquiries in England and Wales.

At a preliminary hearing in Thurso last December Mr Bell, responding to critics of the detailed environmental assessment submitted by the proposers of the project, asked for more precise information on how it was proposed to transport radioactive fuel to the plant.

The proposers are the UK Atomic Energy Authority (UKAEA), which operates the Dounreay Nuclear Establishment, and British Nuclear Fuels, which would design and build the plant. They are seeking outline planning permission for a plant which is not expected to be ordered before the mid-1990s, for service early in the next century.

Witnesses for them will include Mr Harry Allardice, project director, a senior executive of the UKAEA. His brief will be prepared by Mr Peter Davies, inquiry team leader for the European demonstration fast reactor reprocessing plant (EDRP), and main author of the assessment of the environmental study.

Among the opponents will be the Orkneys Island Council. Several environmental organisations, including Greenpeace and Friends of the Earth, although opposed to the project, have said they will boycott the inquiry because it is being restricted to local issues.

The Government has stipulated that the inquiry shall deal only with local issues raised by the proposal and shall not investigate national policy on the plutonium-fuelled fast reactor, development of which is centred at Dounreay.

The core of this policy is that Britain should collaborate in a long-term development programme with five other nations – Belgium, France, Italy, the Netherlands and West Germany – in the European fast reactor club. This club aims to develop commercial fast reactor designs and associated fuel services.

Present plans of the Paris-based club call for three more "demonstrator" reactions of the order of 1,500 MW output, and a reprocessing plant to recycle their fuel.

The economics of the fast reactor depend largely on the speed and efficiency with which spent fuel can be recycled and returned as fresh fuel to the reactor.

The European club is proposing a single reprocessing plant to recycle the fuel from all three demonstrators plus Superphenix, the 1,200 MW demonstrator already built by the French.

Britain, which expects to build the last of the series of demonstrators, believes it has a strong case in the club for hosting the reprocessing plant. Fuel from the 250 MW prototype fast reactor at Dounreay is already regularly reprocessed on the site and its plutonium returned to the reactor as fresh fuel.

More than 7 tonnes of spent fuel has been reprocessed, and more than 1.3 tonnes of plutonium has been recycled as fresh fuel. No other Western country claims this experience.

The European club plans to scale up the operation to at least 50 tonnes a year. At present club members can account for a total potential reprocessing capacity for fast reactor fuel of about 15 tonnes, scattered among four countries.

The British nuclear industry, with government backing, is seeking outline planning permission at this stage in order to remain competitively placed – with the French in particular – when the club invites bids.

The case for EDRP is set out in a 117-page document which describes the proposed process as "almost identical" to the one practised at Dounreay since 1979.* The plant is designed to treat between 60 and 80 tonnes of fuel a year in the form of up to 500 fuel assemblies of different designs.

By chemical industry standards, the process is simple because it operates at low temperatures and atmospheric pressure. EDRP is envisaged as occupying a building about 140 m by 90 m with a 60 m stack.

Fuel from the overseas reactors will arrive in 90-tonne flasks similar to those already used to transport spent nuclear fuel by land and sea.

The proposers say they will produce evidence showing that there are several suitable ports to receive the flasks. Their preferences are for one of three ports in the Cromarty Firth – Alness, Invergordon or Nigg – or for Scrabster near Thurso.

The decision to go ahead with a Channel tunnel also opens the option of a rail link from each of the demonstrators to Dounreay by the time EDRP is required.

* *Environmental impact assessment relating to the proposed siting of the European Demonstration Fast Reactor Fuel Reprocessing Plant (EDRP), at Dounreay, Caithness. Available from the UK Atomic Energy Authority, 11 Charles II Street, London SW1.*

UK NEWS

Tough talk opens doors for UK banks in Tokyo

The reciprocal granting of banking and securities licences is part of a major shakeout of the world finance industry, writes David Lascelles, Banking Correspondent.

THE ROAD to Tokyo is still a tortuous one for foreign bankers, as last week's hard-fought deal between the UK and Japan over banking and securities licences demonstrates. But the horse-trading has become part of the process which is shaking down the world finance industry into a few global institutions able to perform virtually every kind of service anywhere.

The arrangement, announced in Tokyo after a week of talks between Mr Michael Howard, a minister in the Department of Trade, and top officials in the Japanese Ministry of Finance (MoF), will enable two UK banks to apply for licences to deal in securities: Barings and County Bank, the merchant banking subsidiary of the National Westminster Bank group. In return, the UK will consider an application for a banking licence from Nomura Securities, Japan's largest broking house.

The very fact that the UK has only conceded a one-for-two deal is an indication of the tough line foreigners are taking in order to break into Japan's notoriously impenetrable markets.

The Bank of England was still maintaining last week that the deal was not a matter of reciprocity but of ensuring that Nomura comes under proper banking supervision before it gets its licence. But so frustrated are UK banks by the obstacles before them in Japan that it would have been hard for the UK to grant Nomura's wish to be a UK bank without exacting something in return. Indeed, the Financial Services Bill currently going through Parliament will give the Government powers to block foreigners through a reciprocal access clause.

However, one banker close to the talks said at the weekend: "The political will is there now." It cannot be long before other UK banks get their Japanese securities licences, and Japanese brokers get banking licences in London (though these will only be granted as and when things happen in Tokyo).

Even so, the way forward still has hurdles because Japanese law does not allow banks to own both a banking and a securities branch. NatWest has got round this by following a trail blazed by Deutsche Bank last year which enables banks to get securities licences through part-owned subsidiaries.

It will apply through its Hong Kong-based County Asia Securities into which it has brought in two partners: British Petroleum and the Swire Group. These will each have 25 per cent of the stock, but NatWest will be effective operator and controller of the company as preference shareholder.

Although this structure was arrived at with the help of the MoF, all parties to the deal are understandably anxious to portray it as a genuine partnership, not just a fiction to get round Japanese law. The partners will share fully in County Asia's profits and losses, and BP's stake will be held through BP Finance International, the subsidiary set up in 1984 as a vehicle for the oil company's new in-house bank.

The investment by the newcomers will result in more than a doubling of County Asia's resources. The Tokyo operation will be capitalised above the legally required minimum of Y3bn ($17m).

The other UK clearers who want Japanese licences, Barclays, Midland and Lloyds are believed to have found partners for similar deals. So have other US and European banks, making for a long queue at the MoF's doors.

Barings do not have a bank branch in Japan, so the problem does not arise for them.

All this toil and sweat is necessary for any bank with aspirations to be counted among the select band of global financial institutions. Apart from qualifying for much cheaper commissions on share trades cleared through the Tokyo Stock Exchange, licensed securities branches can deal with a broader range of Japanese institutional investors and underwrite a greater volume of securities issues – all useful attributes in the world's second largest capital market.

The Japanese brokerage houses are being impelled by similar desires to apply for UK banking licences, since they can achieve in London what they cannot on their home ground: combine banking and securities under one roof.

World banking, Page 12

World trade forecast to grow 5% this year

BY GEORGE GRAHAM

WORLD TRADE will surge this year as a result of falling oil prices, the Economist Intelligence Unit (EIU) claims in its latest forecast.

The volume of trade between non-communist countries will grow by nearly 5 per cent in 1986, it says, 1 percentage point more than it predicted in its last forecast in November, and 2 percentage points more than in 1985.

Members of the Organisation of Petroleum Exporting Countries (Opec) will cut their imports by 10 per cent this year – an overall drop of 30 per cent in four years, the EIU says – but this will be more than offset by stronger import demand from Europe and the Third World.

Import growth of 8.5 per cent is forecast for West Germany, with Italy raising imports by 7 per cent and the US by 6 per cent. Non-Opec developing countries are expected to raise their imports by 6.3 per cent.

West Germany will also lead the way in export growth, the EIU says, with an advance of 6.5 per cent in 1986. The US is expected to raise exports by 6 per cent, and the non-oil developing nations by 5.5 per cent.

Lower oil prices will improve economic prospects, and the EIU has revised its forecast of growth in the Organisation for Economic Co-operation and Development up by 0.5 percentage point to 3 per cent. Japanese growth will stay above 4 per cent for the third successive year while West German growth will rise to 3.5 per cent, a full percentage point higher than in 1985. US growth should also recover to 2.8 per cent.

The EIU forecasts a fall of 15 per cent in the value of the dollar this year, with declines of 24 per cent against the D-Mark and the Japanese yen. Most of this fall has already taken place. The pound, meanwhile will fall by 14.6 per cent against the D-Mark, but gain 11.5 per cent against the dollar.

The unit's forecasts are based on an average import cost for crude oil of $17.50 a barrel for the year, corresponding to an average export price of $15.

EIU World Trade Forecast, The Economist Publications Ltd, 40 Duke Street, London W1A 1DW.

Companies need greater freedom, say directors

BY JOHN MOORE, CITY CORRESPONDENT

CHANGES in existing legislation should be made in order to allow companies more freedom, the Institute of Directors has told the Government.

"There should be maximum freedom for a company to decide what business it does and how it does it," the institute has said in a submission to a government investigation into possible changes in company law.

It argues that the removal of the "ultra vires" rule under existing legislation would make commercial dealings between companies much easier and probably safer.

The ultra vires doctrine was introduced in the 19th century and limits company activities to the definition of a company's objects as set out in its memorandum of association.

A Department of Trade and Industry investigation into the implications of the abolition of the doctrine of ultra vires is being carried out by Dr D.D. Prentice of Pembroke College, Oxford.

In a paper submitted to the Trade Department's review, Mr Andrew Hutchinson, the institute's principal research executive, lists three main reasons for the abolition of theultra vires rule. He says it does not protect creditors and can sometimes work to their disadvantage; it can protect shareholders, but there are better ways of doing this; and it makes a great deal of unnecessary work for companies.

He says that the rule can actually work to the detriment of creditors, by providing companies with the opportunity to wriggle out of obligations which do not come within the company's objects as set out in its memorandum of association.

Audio tape makers ready for legal fight over levy

BRITISH TAPE manufacturers are considering taking legal action against the Government if it decides to introduce a levy on blank audio tapes, writes Raymond Snoddy.

Announcement of such a levy is expected in a White Paper (policy document) on copyright reform due to be published later this month. The Tape Manufacturers Group, which represents producers of audio and video tape, believes such a levy could be in breach of EEC law.

The levy, possibly 10 per cent of the retail price of a blank audio cassette, would be intended to compensate rights owners for the unauthorised taping of their music.

The association argues that by forcing the tape industry to make payments to the recording industry the Government would be intervening in a free market and distorting competition. Levies would also restrict imports or exports between EEC countries because tape levied in one EEC country would face a further levy in the UK.

According to Mr Christopher Hobbs, chairman of the association, a scheme already introduced in West Germany has turned out to be an administrative "nightmare" and the tape market has been undermined by the smuggling into the country of tapes free of levy.

Tape companies in France are considering a lawsuit to challenge the validity of levy legislation there, he says. "We could take similar action in the UK, but first we'll have to wait for the White Paper to see if the Government is determined to press ahead with this unreasonable scheme."

Exposing the film industry's bright side

By Raymond Snoddy

"THE BRITISH film industry is very much alive and well, and it is a great shame that people are only focusing on the failures of Goldcrest," says Mr Bill Gavin.

Mr Gavin is not just another optimist trying to talk the film industry out of recession after the commercial troubles of Revolution, in the film which cost Goldcrest £19m and flopped in the US. He is the former Goldcrest director of distribution and marketing and was involved in raising finance for such successes as Local Hero and The Killing Fields.

Since leaving Goldcrest Mr Gavin, through his small company Gavin Films has been putting the original Goldcrest financial concept into effect – raising as much money as possible through the pre-selling of distribution rights to minimise risk. In the past two years he has almost single-handedly raised $14.15m in pre-sales and equity financing for seven films with budgets totalling $28.6m.

Gavin Films is at the moment involved in 16 film projects – seven in development, two in pre-production, two in production, three in post-production and two finished productions.

The immediate future for the British film industry looks rather good, he believes, because the major US studios have very few pictures under way at the moment.

"In 1987 there is going to be a shortage of product which means an opportunity for the independents," says Mr Gavin, a former motor racing journalist who backed into the film industry almost by accident when he wrote the narration for John Frankenheimer's Grand Prix.

Films he has helped raise finance for include Personal Services, based on the true story of a London brothel situated in a quiet suburban steet, now beginning principal photography, and Hot, a science fiction movie due to begin filming in September.

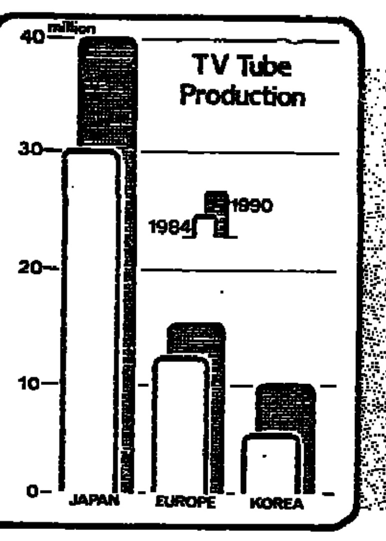
Mr Gavin, who has worked with Lord Grade as director of sales for ITC Films International, rejects the usual complaint of film producers that Britain's financial institutions do not understand the film industry.

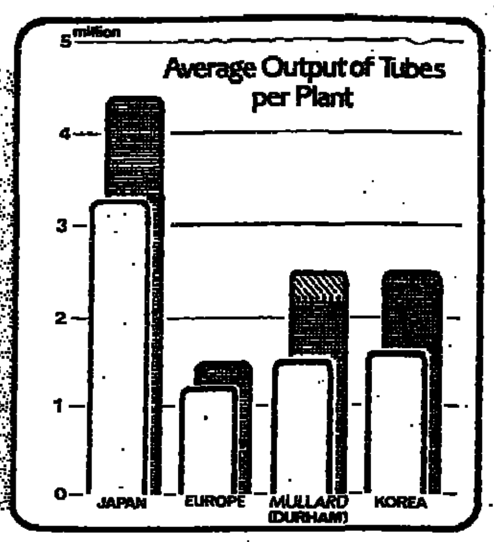
"The problem is that people who continue to address the City from our industry don't understand how the industry works financially," he says. He has seen documents sent to prospective backers which were "absolute nonsense."

His method of raising often up to 50 per cent of the cost of a film through pre-selling of rights not only provides money to make a picture. It also, Mr Gavin says, indicates the marketplace thinks "you may be on the right track."

He hopes that his cautious approach to raising finance for the British film industry might attract some equity investment from the City to allow Gavin Films to expand. "But what is really surprising is how moderately successful I am being without any capital base whatsoever," he said.

TECHNOLOGY





Squaring up for TV sales battle

Jason Crisp on the high-risk game being played by the world's TV tube manufacturers

THE FRONTS of television tubes are getting a bit flatter and a bit squarer, even if they are still neither flat nor square.

The change is costing the world's tube manufacturers a fortune, but go into a shop and compare the televisions with the new tubes—generally known as FST—with conventional ones and you will not be bowled over by any enormous differences.

Philips, the Dutch electricals group which makes half the TV tubes built in Europe, is spending £175m converting its plants worldwide to FST. Already late into the arena, Philips cannot afford to be left behind as its main Japanese rivals like Toshiba, Matsushita and Hitachi rush ahead with FST.

Even if the difference between FST and conventional tubes is not enormous, that rush has been spurred by the set manufacturers' desire to enhance the basic TV and get higher prices for a product which for years has seen its value fall in real terms. Within two years most new sets are expected to have FST tubes, with the conventional "bug-eyed" ones being sold as economy models.

It is far from clear, however, whether this gamble will pay off financially, because the consumer may resist paying the premium for FST. The claimed advantages include a wider viewing angle, fewer reflections and a more pleasing picture. Nevertheless, Which? magazine recently said it did not think FST sets were worth the extra money.

The tube is the most expensive single component in a TV and FST costs about 15 per cent more to make than a conventional tube. In addition to the extra capital costs, FSTs require more glass, more precision manufacture and take longer to make.

The introduction of FST has not involved a dramatic use of new technology—like compact discs—but it has stretched existing skills in areas such as materials science, chemistry and vacuum technology to their limits for mass production.

As the screen is flatter the glass must be much stronger and therefore thicker, to cope with the pressure caused by the vacuum within the tube. And as it is squarer the electron beam needs to be aimed into the corners more accurately just where the deflection is greatest and it is hardest to get correct alignment.

An FST tube is also bigger so it takes longer to evacuate the air and longer to cool—which are the slowest parts of the production process and govern the capacity of a plant.

Moving to FST has meant a number of changes in individual components and the use of finer tolerances. Some £2m of new investment at Philips' Mullard factory in Durham is on test equipment.

The FST tubes have a narrower neck, which reduces the energy needed to deflect the electron beams fired from the gun on to the screen but this creates problems with colour purity and focus. This has meant developing a new gun to avoid the problem.

Philips has also made an apparently small but, in fact, quite radical departure in the way in which it mounts the shadowmask, the thin sheet of foil with thousands of minute holes which sits just in front of the screen itself. The alignment of the shadowmask is absolutely critical for colour purity, yet it can easily bow or bulge from the heat generated by the bombardment of electrons.

The conventional way has been to hold the shadowmask firmly in place with bimetal connections in the middle of each side. Philips' FSTs use tiny corner mounts which ingeniously swing the mask towards the screen as it heats but do not affect its critical alignment. It means less metal is needed and the new corner mounts can be automatically welded by laser.

Mullard's Durham plant is the last TV tube plant in Britain, since Thorn EMI shut its factory in Skelmersdale. (Sony, the Japanese company assembles its unique Trinitron tube at Bridgend, Wales).

Production of tubes is capital intensive and highly automated. The Durham plant is run round the clock for five days a week and employs 900 people. It takes a tube 24 hours to pass the complete length of the production line which twists and turns and moves from ground level to the factory roof for no less than five miles.

Mullard makes 20in conventional tubes and the equivalent size in FST (51cm). It supplies every TV maker in the UK, excluding Sony, and exports two-thirds of its production.

This year production will rise to 1.65m tubes and the cost of converting the Durham plant to FST will be at least £15m. By December about half of its production will be FST.

Mullard's tube making activities made heavy losses up until 1981. Prices had fallen because of intense competition from the Japanese and Mullard had two plants with few economies of scale.

The plants were rationalised with components and glass-making in Simonstone, Lancashire and all tube assembly at Durham. Heavy investment, increased automation, substantial job cuts and price increases have restored profits although they are still low and likely to remain so.

The arrival of FST is the biggest change in tube production since the introduction of colour television. But that change will be dwarfed by the expense and complexity of high definition television with a cinema-type aspect which will be introduced in the next decade.

FST SWITCH COMES AT A BAD TIME FOR EUROPEANS

THE difficulty and expense of switching to FST has not come at a good time for the European manufacturers. Since the mid-1970s there has been a substantial restructuring of the industry involving closures, takeovers and an overall reduction in capacity.

The few remaining manufacturers—Philips, Thomson and ITT—face intense competition from much larger Japanese suppliers and very aggressive Korean opposition.

European tube plants tend to be less than half the size of Japanese rivals and therefore enjoy fewer economies of scale. Japan makes over 30m tubes a year, about 60 per cent of world production.

The Koreans have become such aggressive producers of consumer electronics goods, including TVs and tubes, that it is even worrying the Japanese. Imports of Korean tubes into the UK, for example, are small but growing very fast, with prices undercutting both European and Japanese suppliers.

As a result, world capacity to produce tubes is rising, yet demand for TV is flat. At the same time prices—FST aside—are falling. The high fixed costs of TV tube production make it a temptation for any manufacturer to cut prices in order to keep its factories fully loaded.

A move by European consumers to buy smaller sets has helped Far Eastern suppliers. Not only are these more economic to ship halfway round the world; they are also the most commonly made sizes in the Far East.

Philips manufactures 12m tubes year worldwide, of which 8m are made in five large plants in Europe, capable of producing 1.5m to 2m tubes a year. Each of its European plants usually makes one size of tube—large in Aachen, West Germany and Dreux, France, medium in Durham, UK and small in Lebring, Austria. It also has plants in Spain, Brazil, Taiwan and the US.

Critics say that if Philips wants to put itself on an equal footing with its Japanese rivals it should have fewer and larger plants.

Philips acknowledges that its production of FST is over a year late and this has caused some internal tensions as its set manufacturing side has been short of the new tubes.

Mr Phil Harris, director of consumer electronics at Mullard the UK tube-making subsidiary of Philips, says: "By going straight to flatter and squarer we've gone two stages at once. At first we considered just going square. But it would have been stupid to do so, and have to make further changes going to flatter two years later."

System to describe product appearance in graphic detail

GRAPHICS DESIGNERS and those concerned with the visual appearance of products are the targets for a computer-aided design system from D.P.G. Claessens Product Consultants BV of Hilversum, The Netherlands.

Called Aesthedes, the system allows a packaging designer for example, to create a container, complete with text and graphic designs, in full colour and with 3D representation. There are no keyboard codes to remember—the system has over 500 buttons and a graphics tablet over which the designer moves a "mouse" to draw lines on the display.

There are three screens on which various aspects of the design can be seen at the same time. When creating a type fount for example, the whole alphabet created so far can be put on the centre screen, the character under design on the right and a big enlargement of it on the left.

The emphasis is on high definition and the system produces paper artwork at 50 points/mm on a Hewlett Packard plotter. Aesthedes recently became available in the UK (01-631 1434) and the Dutch number is 351 0551.

The Aesthedes, graphic design system from Claessens.

TEXTILE MARKING with traditional tailor's chalk—which has to be removed afterwards—can be carried out instead with special fluids from Ultra-Violet Products of Cambridge, UK (0223 255722).

Applied by felt tip pen, stencil or some similar method, the "ink" enables tailors to mark outlines, darts, pleats and so so, so that they are invisible unless exposed to ultraviolet light. Increased productivity and improved quality control are claimed for the product.

MICROCOMPUTER SALES in the UK grew by 18 per cent in the UK in 1985 to reach £630m at retail prices according to Romtek, the Maidenhead market research group.

IBM led the field with 25 per cent of the market, followed by Apricot (15 per cent), Apple (9 per cent), Epsom (6 per cent) and Commodore, Compaq and Olivetti with 4 per cent each. Romtec is in the UK on 0628 74242.

AUTOCAD SOFTWARE, with 45,000 users the world's best selling computer aided design program, has been enhanced to give a 40 per cent faster execution speed.

The new version, Autocad 2.18, which will run on IBM, Compaq, Apricot, Hewlett Packard, DEC, Victo r and Wang personal computers, is completely compatible with previous versions so that existing users can easily upgrade their systems. More from Autodesk in Brentford, UK on 01 847 3535.

WORTH WATCHING

EDITED BY GEOFF CHARLISH

UNDERCARPET CABLING for both power and information signals has been introduced by Amphenol of Romsey, Hampshire (0227 264411).

Called Spectra-Strip, the system offers a flat cable design for power, data and telephone cables and a low profile pedestal outlet box which can be positioned near to desks in open plan offices. (The alternative is underfloor ducting or overhead lines). Spectra-Strip allows the cables to be accommodated under carpet tiles so that office re-organisation is relatively simple.

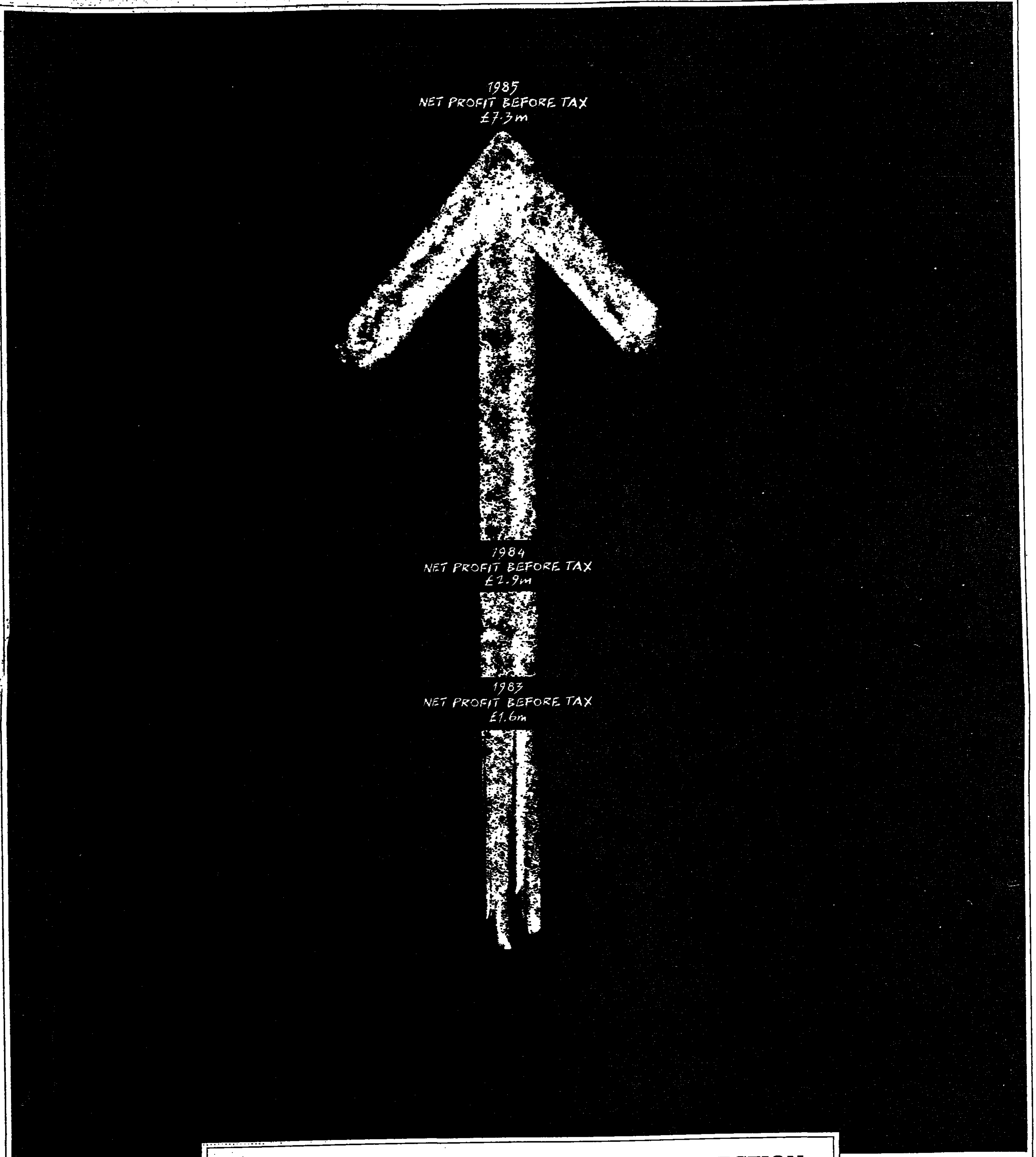
IMAGE CAPTURE, storage and transmission is the forte of Optronics, a Cambridge Science Park company in the UK, which is seeking an industrial partner of licensee to exploit the development.

Optronics already has a book scanner (developed for the British Library) and can also offer flatbed document and microfilm scanners.

After temporary Winchester disk storage to allow access for indexing, the scanned images are electronically compressed allowing permanent storage in the minimum space on disk or tape. From there, they can be displayed locally by high resolution monitor, or can be sent via a special interface unit over a phone line, using one of several transmission protocols including BT Kilostream and facsimile group three. More on 0223 64364.

Toshiba chips

TOSHIBA says it does not plan to deliver samples of a four-megabit dynamic random access memory this year, as reported on the Technology Page on March 11 and 14. The company has developed a prototype device but says it expects deliveries to take "a few more years."


1985
NET PROFIT BEFORE TAX
£7.3m
1984
NET PROFIT BEFORE TAX
£2.9m
1983
NET PROFIT BEFORE TAX
£1.6m

WORLD BANKING

A New York-Tokyo-London axis

By David Lascelles, Banking Correspondent

MARUNOUCHI, Wall Street, Bishopsgate—there is not much to choose between them at rush hours. Everywhere crowds squeeze into lifts and zoom up office blocks or work amid hardware that could all have been—and probably was—made by the same company. Similar worries are on their minds: the Fed, the yen, the price of oil. . . . Only the whiff of noodles, or the steaming street vents say you must be in Tokyo or New York rather than London.

As these three cities establish themselves as the focal points of the world banking business, they suffer the same boom town ills: shortages of skills and office space, which are driving up costs and creating the same headaches—or windfalls—for everybody. The banker in London despairing of finding a good gilts trader for the Big Bang can commiserate with his opposite number in Tokyo who needs an English-speaking Japanese bond dealer; they are rarer than foreign cars on the Ginza.

The sameness of financial districts around the world might seem a predictable consequence of the globalisation of the banking industry. But the similarities between these cities end very quickly.

The similarities between these cities end very quickly

The irony of all these much-publicised trends is that—so far at any rate—they have not whisked the international banking business into a smooth homogeneous whole. Rather the opposite. It is still very lumpy. The things that shape the business environment in all these places—like culture and government policy—remain strikingly different. New York, Tokyo and London have so little in common that few bankers are even sure what actually makes a successful financial centre.

Of the three, only London has deliberately set out to be one, which makes it both the most hospitable and the most vulnerable.

The Tory Government's efforts to open up the City were prompted in good part by the desire to secure the City's position in the European time zone, and generate jobs and revenue. After the latest changes go through, London's corporate taxation will be the lowest of the three (35 per cent compared with effective rates of over 40 per cent in the US and nearly 60 per cent in Japan). Its regulatory system, based on voluntary control by practitioners rather than bureaucrats, will contrast starkly with the severe statutory regimes of the US and Japan.

BANKING: THE NEW FRONTIERS

THE THREE KEY CENTRES

	London	New York	Tokyo
Foreign banks	399	254	76
Foreign SE members	22†	33	6
Foreign dealers in primary government bond market	12†	2	29
Share of international banking market (1985) %	24.9	15	9.1
Share of foreign exchange turnover (1984) %	32.6	23.3	5.3
Stock market turnover £bn (1985)	52.8	671.3	271.5
Stock market capitalisation £bn (end 1985)	244.7	1,302.2	648.7

† including UK firms partly or wholly foreign-owned.

All this should add to the attractions London has long enjoyed as the home of the Euromarkets and host to the world's largest banking community of 400 foreign institutions employing over 50,000 people. At the same time, it could attract the less savoury elements of the banking community and make London rather too dependent on the continued health of the financial markets. The UK authorities' readiness to bail out both the gold and the tin markets in the last 18 months to preserve the City's good name set clear — possibly unfortunate — precedents. So did their recent decision to slap a 5 per cent tax on UK shares that are converted for trading in New York — a blatantly protectionist move that betrayed a high, and possibly unnecessary, degree of nervousness.

The appeal of New York and Tokyo, by contrast, is access to domestic markets that are larger than Britain's.

Both New York and Tokyo are shackled so far as bankers are concerned with the weight of Glass-Steagall-type legislation which prevents them dealing in corporate securities in their home markets at a time when "securitisation"—the transformation of loans into tradeable assets—is the hottest thing in the business and one of the driving forces behind globalisation. It also forces foreign banks to choose whether to enter these markets wearing a banking or a securities hat.

"We have a vision of what we want to be by 1990. But these regulations will be a severe competitive handicap," said Mr John Vella, head of capital markets at Bank of America. Last year, Nomura Securities, Japan's largest brokerage house, earned bigger profits than its best performing bank, Sumitomo, and, for that matter, all but the largest foreign banks, largely because it is spared direct bank competition. In the US, the half dozen largest investment banks have 70 per cent of their market.

In neither country is there *any immediate prospect of reform*, though in Japan, bankers say nothing will happen there until Glass-Steagall is abolished in the US. This means that London will continue to benefit from the existence of more than 50 securities and merchant banking subsidiaries which US and Japanese banks have been forced to set up in the City instead. It will also be the only truly competitive big financial centre where the giants of the banking, securities and investment business clash head-on—a fact which could force the UK authorities to tighten regulation if the voluntary bindings cannot take the strain, and where domestic banks face the strongest threat from foreign entrants.

London's greatest drawback, at least for UK-based institutions, is an unexciting economic hinterland. Sir Martin Jacomb, chairman of Barclays de Zoete Wedd, said: "We need a strong domestic base to generate capital issues. The British Telecom sale (which was widely distributed abroad) was one of a series which will not last."

If London is the classic international financial centre, the outside world has yet to impinge as much on the other two, particularly Tokyo. But change is coming there much faster than bankers expected when the Japanese government embarked on its programme of financial reform two years ago.

The liberation of interest rates and yen trading has opened Japan to the currents of the world capital and currency markets which—more than equities—are the *lifeblood* of international finance.

So has the decision of the all-powerful Ministry of Finance to admit foreign banks to key parts of the Japanese financial machine *like the securities business, the* stock exchange (the first six foreign members join this year), trust banking and the primary government bond market.

But it also shows that Tokyo sets the rules of the game by administrative fiat — which makes foreign bankers feel more uneasy there than in New York or London. "They are not doing this out of philanthropy," *said a US banker who questions* Japanese motives. The most popular theories are that liberalisation's true aims are to help the Government fund its budget deficit and to import banking skills so Japanese institutions can learn them and then beat their teachers.

This wariness even extends to fears that Japan could reverse the whole process. Mr Richard Kjeldsen, international economist at Security Pacific, the Los Angeles-based bank, sees a contradiction: "Can you have a financial sector that is fre and an economy that is orchestrated. No. It would mean dismantling Japan Inc."

Despite these concerns and the tough times foreign banks havehad in Japan in the past (one third of the 76 there last year lost money), they continue to arrive, most of them hoping to justify the enormous expense by generating new business for their far-flung groups and getting a share of the booming securities business and Japan's annual $50bn capital exports. To succeed they need to attack a market that is still much more closely bound by personal relationships than London or New York.

Apart from Glass-Steagall, access to the US markets for foreigners has always been freer than in London or Tokyo, so long as they can squeeze in. But globalisation has had two effects on New York.

One is to unleash a flood of applications by foreign institutions to become primary dealers in government bonds — the key players in the US financial markets. Although the Federal Reserve Bank of New York, which manages the market, will not say how many applications it has had to join the existing 36 members (of whom only two are foreign), Mr Gerald Corrigan, the President, said: "Over time I fully expect that you will see some growth in the number of foreign-owned securities firms who can qualify as primary dealers."

The other is to add the voice of foreign banks to calls for *deregulation of US banking* law. Not that that in itself will make much difference. But some foreign banks, notably National Westminster Bank of the *UK*, have been trying to blaze new trails through the regulatory undergrowth.

Heavy regulation has not prevented either New York or Tokyo becoming the key financial centres in their time zones. *Nor has London been obviously* handicapped by the fact that its markets are only half the size of Tokyo's and a fifth the size of New York's, though, as a London merchant banker points out: "For London you *should* read the EEC." By the time you add in the huge social and cultural barriers facing foreigners in Japan, none of the three looks ideal.

Tokyo sets the rules of the game by administrative fiat

What they have all done, though, is reach the critical mass that creates its own gravity — and plays on bankers' *well-known gregariousness*. This does not mean, bankers say, that secondary financial centres such as Hong Kong, Frankfurt and Zurich have lost out for good; many expect to expand there once the New York-Tokyo-*London axis* is properly established. But Mr Tom Luckett, assistant general manager for trading at Midland Bank, which is investing heavily in an international securities network now it has sold off the Crocker Bank, *remarked*: "*Major* banks will want the economies of scale of centres. The others will only be satellites."

This is the second article in a series on world banking. The first appeared on April 2.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

PHELPS DODGE, the US copper mining company, has dug itself out of the pit. After four years of losses totalling more than $400m, the group last year returned to profit with a modest $29.5m net.

It was not much for a company which was once one of the biggest moneymakers in the US. The debt-ridden group could not afford a dividend. But for many Wall Street investors the surprise was that Phelps Dodge had survived at all.

It has pulled through the worst recession in the US copper industry since the 1930s, with no help at all from the copper market—after falling from over $1 a pound in 1980 to under 73 cents in 1982, US prices have slipped further and averaged 67 cents last year.

By cutting costs, slashing jobs and selling assets, Phelps Dodge has left rival US copper producers trailing, with most of them still deep in the red. At the same time, the company expanded copper production to a record 410,100 short tons last year—outstripping Kennecott as the largest US producer.

In a sense, Phelps Dodge had no choice about moving quickly and even ruthlessly, enduring a bitter strike to make sure it got its way. Unlike Kennecott, which was taken over by the BP associate Sohio, Phelps Dodge had no rich parent to pay for its losses. And unlike Newmont Mining, which has profitable interests in gold and energy as well as its loss-making copper subsidiary, Phelps Dodge had failed to diversify successfully. As a result, Phelps Dodge had to turn its copper business around fast or perish.

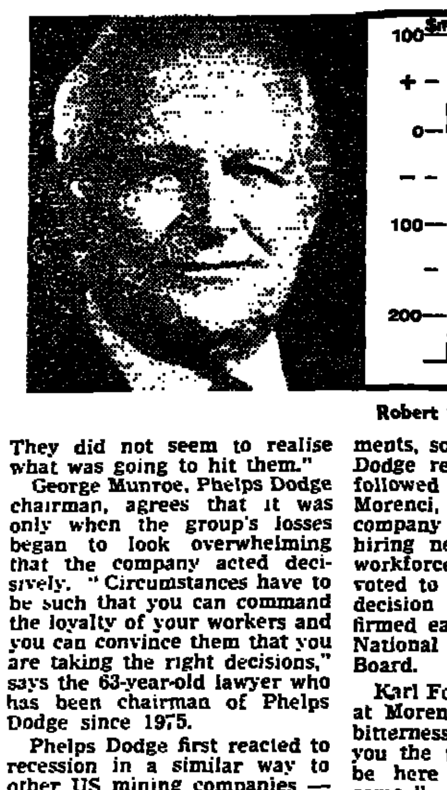
It was by no means clear in advance that Phelps Dodge would succeed. The company's costs were already lower than the US average in 1980, but not low enough to compete with expanding overseas rivals, above all the Chileans. Like other US mining groups, Phelps Dodge had allowed costs to rise in the good years — repeatedly giving away increases in pay and manning under strong pressure from the well-organised trade unions.

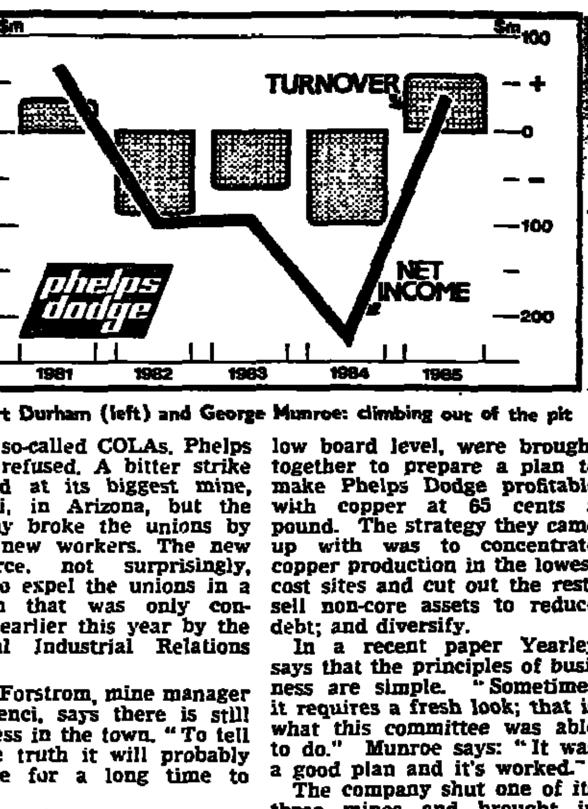
The group had a reputation on Wall Street for slow and indecisive management; the corporate head office in Park Avenue duplicated much of the work of the Western operations headquarters in Phoenix, Arizona. Costs and manning levels were notoriously high, with mines and smelters inefficiently running below capacity. To some outsiders the company seemed oblivious to the danger it faced. Bill Siedenburg, mining analyst with New York broker Smith Barney, says: "There was a great air of serenity about Phelps Dodge.

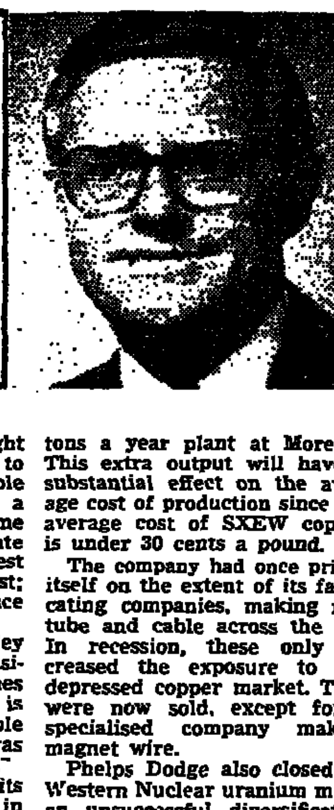
Phelps Dodge

Mining a seam of support

Stefan Wagstyl reports on the US copper group's survival strategy







Robert Durham (left) and George Munroe: climbing out of the pit

They did not seem to realise what was going to hit them."

George Munroe, Phelps Dodge chairman, agrees that it was only when the group's losses began to look overwhelming that the company acted decisively. "Circumstances have to be such that you can command the loyalty of your workers and you can convince them that you are taking the right decisions," says the 63-year-old lawyer who has been chairman of Phelps Dodge since 1975.

Phelps Dodge first reacted to recession in a similar way to other US mining companies — closing down mines and smelters temporarily, laying off workers, cutting the dividend and then dropping it altogether. Belatedly, it ended the development of a new underground copper deposit at Safford, Arizona.

These were all typical and traditional responses to a cyclical downturn. Phelps Dodge still believed in 1982 that industrial recovery would bring the copper price bouncing back and closed sites would be reopened. One senior executive was quoted as saying that if prices stayed at about 70 cents for another 18 months "we'd be in serious shape — no ifs, ands, or buts."

A year later, the company broke ranks with other US copper companies. In mid-1983 the industry's long-term pay contracts expired and came up for renegotiation between the employers and trade unions, led by the United Steelworkers Union. The unions were ready for a deal with no pay increases in real terms but insisted that the three-year contract should allow for cost-of-living adjustments, so-called COLAs. Phelps Dodge refused. A bitter strike followed at its biggest mine, Morenci, in Arizona, but the company broke the unions by hiring new workers. The new workforce, not surprisingly, voted to expel the unions in a decision that was only confirmed earlier this year by the National Industrial Relations Board.

Karl Forstrom, mine manager at Morenci, says there is still bitterness in the town. "To tell you the truth it will probably be here for a long time to come."

The result was that Phelps Dodge gained the lowest labour costs in the US copper industry. Wage rates average $12.50 an hour against $13.76 at Kennecott. Equally, the company has won much greater job flexibility from its workforce. A senior executive at a rival copper company says: "That's what really mattered. It meant they could get on and do what they had to without endless arguments with the unions."

Phelps Dodge had been tough. But taking on the trade unions in this way was not unprecedented in the stormy history of industrial relations in US mining. The company's next step was a real break with the past.

In early 1984, Phelps Dodge finally abandoned the long-held hope that prices might soon turn. As Douglas Yearley, a senior vice-president, says, it became apparent that the basic fundamentals of the copper market had changed.

Yearley and a number of other senior executives, all below board level, were brought together to prepare a plan to make Phelps Dodge profitable with copper at 65 cents a pound. The strategy they came up with was to concentrate copper production in the lowest cost sites and cut out the rest; sell non-core assets to reduce debt; and diversify.

In a recent paper Yearley says that the principles of business are simple. "Sometimes it requires a fresh look; that is what this committee was able to do." Munroe says: "It was a good plan and it's worked."

The company shut one of its three mines and brought in round-the-clock operation at the other two — Morenci and Tyrone in New Mexico.

It closed two high-cost smelters which were in need of further investment to bring them into line with US pollution laws. Output at the two remaining smelters — Douglas and Hidalgo — was stepped up to 80 per cent of the former production of all four plants.

The workforce in the company's Western operations fell from 7,600 in 1981 to 3,550 last year. Overhead costs were cut equally ruthlessly — with a reduction from 525 to 290 in head office staff in the past 18 months. Munroe and Robert Durham, the president, now share a secretary.

But the company found the money in a much-reduced capital programme to invest in solvent extraction/electrowinning (SXEW) — a low-cost process in which copper is extracted from old dumps. It spent $35m on a plant at Tyrone in 1983 and then doubled its capacity to some 35,000 tons a year. Now it is building a $90m, 45,000 tons a year plant at Morenci. This extra output will have a substantial effect on the average cost of production since the average cost of SXEW copper is under 30 cents a pound.

The company had once prided itself on the extent of its fabricating companies, making rod, tube and cable across the US. In recession, these only increased the exposure to the depressed copper market. They were now sold, except for a specialised company making magnet wire.

Phelps Dodge also closed its Western Nuclear uranium mine, an unsuccessful diversification of the 1970s. And it put on the market its stake in the Black Mountain lead-silver mine in South Africa. Altogether, it wrote off some $195m in 1984, taking the net loss to a record $267.8m.

But even this was not enough to rescue the balance sheet. So Phelps Dodge took to selling equity to reduce debt—issuing some $231m new shares.

Finally, the company took the difficult decision to sell 15 per cent of the Morenci mine for $75m to Sumitomo Metal Mining of Japan—partly to secure a market for the mine's copper but mainly to cut debt. Phelps Dodge is now talking to other possible buyers of another 15 per cent. Durham says: "The fact that we have had to do this shows how concerned we were about our balance sheet."

Phelps Dodge hopes to raise more than $300m when all the asset sales are completed, reducing debts from the 1985 year-end total of $500m and cutting the debt-equity ratio from 54 per cent.

All this work leads Munroe and Durham to believe that Phelps Dodge, albeit a smaller company than it once was, can survive with production costs now near 60 cents a pound, against over 80 cents in 1983. Durham says: "We feel we can function even in this still quite dismal copper market."

However, the room for lowering costs much further is limited, even allowing for SXEW. Some of the short-term savings the company has made cannot be repeated too often—early last year for example, Phelps Dodge milled only higher-grade ore at Morenci leaving lower-grade material behind. This "high grading" shortens the life of a mine. Smith Barney's Siedenburg, says: "I do not think they have much more room to cut costs. They have to wait for a better copper price."

Meanwhile the company is tentatively thinking of broadening its interests—it has a share in a rich copper deposit in Turkey and, like several other US base metal companies, has expanded its gold exploration programme.

It is also looking to buy a profitable US company which would make use of Phelps Dodge's £550m accumulated tax losses. Munroe says it would have to be a well-managed company with a good earnings stream and with a business cycle different from copper.

But Phelps Dodge's desire to diversify is firmly limited by its commitment to being "the best copper company in the country." Durham says Phelps Dodge has not moved "one iota from this objective."

Outside the company there are serious doubts about whether Phelps Dodge will now be any better at diversifying than it was in the 1970s. Apart from the unlucky failure in uranium, ventures into oil and gas got nowhere, and a joint venture in aluminium was only marginally profitable and was sold off in 1980.

At the end of the day, Phelps Dodge will only have the resources to invest in anything if it can generate cash from copper. In the short-term the company will be hoping that copper prices in the US maintain their recent modest rise above 70 cents. Every cent makes a $7.5m addition to Phelps Dodge's net profits.

In the long-term, the market looks very uncertain. Munroe hopes that low prices might now drive overseas competitors to take cuts, since US producers have borne the brunt over the past few years. "These things change," he says, "if you can just hang on in there. Thank God, we are ,oing that."

How to play the company game

Nick Garnett explores alien corporate cultures

JAPANESE companies that have set up manufacturing, assembly or distribution operations in the UK have tended to back off from imbuing those sites with their home-grown philosophy of "shared values" and team spirit.

By contrast, many US companies in the UK, like McDonalds and IBM, have been much less willing than Japanese companies to be flexible on this issue and have been more successful in transposing their strong home-bred culture to Britain.

This is one of the surprising conclusions that can be drawn from a study of 15 leading British companies and a similar number of direct Japanese competitors in the UK.

The study, carried out by John Saunders and Veronica Wong of Warwick University's management centre, is essentially designed to test the theories contained in the Peters and Waterman book, "In Search of Excellence."* It does not provide any explanation of the phenomenon of the contrasting Japanese and US practice, but Saunders' own suggestion is that the Japanese have simply been more ready than many US managements to adjust themselves and their businesses to a British way of doing things.

He also feels that there is more resistance from British managers and workers to a "shared value" culture of harmony, team spirit and the "company man" when this is sought by the Japanese than when it is required by American bosses.

"A common comment was 'well, I understand they do that in Japan but they haven't tried that here,'" says Saunders.

The study did unearth what the two authors saw as key differences between the Japanese and British companies. The level of professionalism among managers in the Japanese companies was higher in both planning and day-to-day running of the businesses and very senior managers asked more of their subordinates.

All the companies included in the study were very large suppliers in the UK market and were in sectors characterised by head-on competition between British companies and Japanese assemblers and distributors in the UK. The interviews, carried out in 1984 were with what the authors call "top marketing decision makers."

In terms of profitability and growth the 30 companies were divided into 17 successful ones (12 Japanese) and 13 unsuccessful (10 British). "Shared values" include those parts of a company's culture that allow employees to pursue their own initiatives while the values on which the organisation is built are maintained and nurtured by senior management.

"The study found no evidence of strongly held shared values among either the successful or unsuccessful companies."

This runs contrary to conventional wisdom. "While the subsidiary executives recognised that their Japanese parent probably held such values, there was no attempt at all to imbue them into the UK staff."

One question outside the ambit of the study is whether this lack of Japanese-style company thinking in Japanese-owned sites in Britain might be partly the product of their youth and relatively small size.

Some very substantial differences however did mark off the successful from the less successful companies.

The latter were more concerned about short term profits than gaining market share—one of the classic differences between Japanese and European (particularly British) companies. They also tended to seek entry into established markets while the successful businesses were looking out for emerging sectors.

Not surprisingly the better companies were superior in research and development and large scale manufacturing efficiency, were closer to the customer and had smaller workforces in relation to output. They were also more planning oriented, and encouraged managerial entrepreneurship.

In Search of Excellence in the UK, Journal of Marketing Management, University of Strathclyde, 173 Cathedral Street, Glasgow.

BASE LENDING RATES

Bank	Rate
ABN Bank	11½%
Allied Dunbar & Co.	11½%
Allied Irish Bank	11½%
American Express Bk.	11½%
Amro Bank	11½%
Henry Ansbacher	11½%
Associates Cap. Corp.	11½%
Banco de Bilbao	11½%
Bank Hapoalim	11½%
Bank Leumi (UK)	11½%
Bank Credit & Comm.	11½%
Bank of Ireland	11½%
Bank of Cyprus	11½%
Bank of India	11½%
Bank of Scotland	11½%
Banque Belge Ltd.	11½%
Barclays Bank	11½%
Beneficial Trust Ltd.	12½%
Brit. Bank of Mid. East	11½%
■ Brown Shipley	11½%
CL Bank Nederland	11½%
Canada Permanent	11½%
Cayzer Ltd.	11½%
Cedar Holdings	13 %
■ Charterhouse Japhet	11½%
Citibank NA	11½%
Citibank Savings	§11.95%
City Merchants Bank	11½%
Clydesdale Bank	11½%
C. E. Coates & Co. Ltd.	12½%
Comm. Bk. N. East	11½%
Consolidated Credits	11½%
Continental Trust Ltd.	11½%
Co-operative Bank	*11½%
The Cyprus Popular Bk	11½%
Duncan Lawrie	11½%
E. T. Trust	13 %
Exeter Trust Ltd.	12 %
Financial & Gen. Sec.	11½%
First Nat. Fin. Corp.	12½%
First Nat. Sec. Ltd.	12½%
■ Robert Fleming & Co.	11½%
Robert Fraser & Ptrs.	12½%
Grindlays Bank	‡11½%
■ Guinness Mahon	11½%
■ Hambros Bank	11½%
Heritable & Gen. Trust	11½%
■ Hill Samuel	§11½%
C. Hoare & Co.	11½%
Hongkong & Shanghai	11½%
Johnson Matthey Bkrs.	11½%
Knowsley & Co. Ltd.	13 %
Lloyds Bank	11½%
Edward Manson & Co.	12½%
Meghraj & Sons Ltd.	11½%
Midland Bank	11½%
■ Morgan Grenfell	11½%
Mount Credit Corp Ltd.	11½%
National Bk. of Kuwait	11½%
National Girobank	11½%
National Westminster	11½%
Northern Bank Ltd.	11½%
Norwich Gen. Trust	11½%
Peoples Trust	12½%
PK Finans. Intl. (UK)	12½%
Provincial Trust Ltd.	12½%
R. Raphael & Sons	11½%
Roxburghe Guarantee	12 %
Royal Bank of Scotland	11½%
Royal Trust Co. Canada	11½%
Standard Chartered	11½%
Trustee Savings Bank	11½%
United Bank of Kuwait	11½%
United Mizrahi Bank	11½%
Westpac Banking Corp.	11½%
Whiteaway Laidlaw	12 %
Yorkshire Bank	11½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.69%. 1-month 8.03%. Top Tier—£2,500+ at 3 months notice 10.72%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
¶ Mortgage base rate.
§ Demand dep. 7.69%. Mortgage 12.25%.

Legal Notices

IN THE MATTER OF KANDLER PARIS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 8th day of May, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Keith David Goodman, FCA, of 30 Eastbourne Terrace, London W2 6LF, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 27th day of March, 1986.
K. D. GOODMAN, Liquidator.

This notice is purely formal. All known creditors have been, or will be paid in full.

IN THE MATTER OF CRUSTY LOAF BAKERS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 25th day of April, 1986, to send in their ful Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned David Swaden FCA, of 48 Rodney Street, Liverpool L1 9AA, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 25th day of March, 1986
D. SWADEN, Liquidator.

IN THE MATTER OF TONICMEAD LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 6th day of May, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Peter Scholey Dunn, FCA of 30 Eastbourne Terrace, London W2 6LF, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 25th day of March, 1986.
PETER SCHOLEY DUNN, Liquidator.

BATONBURY LIMITED T/A QUEEN STREET WAREHOUSE

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 30 Eastbourne Terrace (second floor), London W2 6LF, on Tuesday the 15th day of April, 1986, at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.

Dated the 27th day of March 1986.
V. T. NASH, Director.

EARLY REDEMPTION NOTICE THE YASUDA TRUST AND BANKING CO. LTD. US$10,000,000 CALLABLE FLOATING RATE CERTIFICATES OF DEPOSIT MATURING 13TH MAY, 1987

NOTICE IS HEREBY GIVEN in accordance with the provisions under conditions 3 and 5(a) of the above CDs that the Bank has elected to repay the principal amount evidenced by these certificates on 13th May, 1986.

This repayment shall be made against surrender of the relative Certificates of Deposit at the Bank's Office at Gordon House, 18, Finsbury Circus, London EC2M 7BP.

TRADE DEVELOPMENT BANK, 30, Monument Street, London EC3R 8LH. (Agent Bank.)

AMERICAN FOODS LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 30 Eastbourne Terrace (second floor), London W2 6LF on Wednesday the 9th day of April, 1986, at 10.00 o'clock in the forenoon, for the purposes provided for in Sections 589 and 590.

Dated the 26th day of March, 1986
L. BREINDEL, Director.

TOWNSTAR PUBLICATIONS LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 30 Eastbourne Terrace (second floor), London W2 6LF, on Friday the 11th day of April 1986, at 1.30 o'clock in the afternoon, for the purposes provided for in Sections 589 and 590.

Dated the 27th day of March 1986.
R. BORTHWICK, Director.

MEDIA SOUND LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 30 Eastbourne Terrace (second floor), London W2 6LF, on Friday the 11th day of April 1986, at 12.00 o'clock midday, for the purposes provide for in Sections 589 and 590.

Dated the 27th day of March 1986.
R. BORTHWICK, Director.

HIGHERPLANT LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of Higherplant Limited will be held at the offices of LEONARD CURTIS & PARTNERS, 45, Rodney Street, Liverpool L1 9AA on Thursday the 10th day of April 1986 at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.

Dated the 25th day of March, 1986.
C. L. WHITE, Director

BCD TELEMAIL LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 30 Eastbourne Terrace (second floor), London W2 6LF, on Thursday the 10th day of April, 1986 at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.

Dated the 25th day of March 1986.
ALVAR P. ST. AUBYN, Director.

Company Notices

WÄRTSILÄ

Notice is hereby given that the Annual General Meeting of Oy Wärtsilä Ab will be held on Monday, 28 April 1986 at 4 pm, in the Congress Wing of the Finlandia Hall, Karamzininkatu 4, Helsinki, Finland. Entrance is either from Mannerheimintie or Karamzininkatu. The agenda for the Meeting will comprise statutory matters arising in accordance with article 15 of the Articles of Association and the reply given by the Board of Directors to the proposed resolution regarding the employment fund.

The Financial Statements and Accounts will be available to shareholders for inspection during the week preceding the Annual General Meeting. The Annual Report for 1985 will be available from 18 April 1986 at the Company's Central Administration in Helsinki, John Stenbergin ranta 2 and in the Arabia-Nuutajärvi shops, Pohjoisesplanadi 25 and Mannerheimintie 20. A copy of the Annual Report will be sent to shareholders on request.

Shareholders wishing to attend the Annual General Meeting are requested to notify the Company by 4 pm on 24 April 1986, either by letter addressed to Oy Wärtsilä Ab, PO Box 230, SF-00101 Helsinki Finland, or by telephone on +358-0-7095 338. A shareholder can appoint a proxy to attend and vote on his behalf. To be valid, forms of proxy must reach Wärtsilä before the notification period expires.

Helsinki, 12 March 1986
Board of Directors

WÄRTSILÄ 1834

B.S.N.

Public Company with a Capital of FRF 353,614,000
Registered Office: 7 rue de Téhéran - Paris (8ème)
RCS Paris B 552 032 534
5% BONDS 1972-1987 FRF 5,000
Compagnie Gervais Danone
Numerical List

1 Of the series including, allowing for previous purchases and converted Bonds the 1147 Bonds which were drawn on the third drawing by lot dated March 21st, 1986 making up, with the 853 Bonds converted into shares B.S.N., the total nominal amount of FRF 10,000,000 to be redeemed at the ninth redemption:
1,138 to 8,198
18,925 to 19,345
these Bonds will be redeemable at FRF 5,000, from 15 June 1986, as their owner has still the option of converting into shares during a period of three months as from this date:

2 Of the series drawn on the previous drawings including securities not yet presented for redemption.
Drawing Dated March 25th, 1983
Redemption June 15th, 1983
13,341 to 16,691
Drawing dated March 22nd, 1985
Redemption June 15th, 1985
8,296 to 13,062
16,692 to 18,925

the principal, the interest, will be redeemable at Banque Nationale de Paris, Paris and at the offices of the following establishments:
Banque de l'Indochine, Paris
Algemene Bank Nederland N.V., Amsterdam
Banca Nazionale del Lavoro, Rome
Banque Nationale de Paris, (Luxembourg) S.A.
Banque Bruxelles Lambert, Bruxelles
Barclays Bank PLC, London
Commerzbank A.G., Francfort sur le Main
Societe de Banque Suisse, Bale
Outstanding amount: FRF 3,690,000

OFFICIAL NOTICE.

The loss has been reported to us of the following London Metal Exchange Silver Warrant and we have been asked to issue a duplicate. No. 339979. Brand: BURMA MINES. Weight: 9519.650 Troy Ounces. Location: Silver Vault, Japan Warehouse. C. Steinweg, Rotterdam. Anyone claiming to be entitled to these goods is invited to enter protest by means of Summons against the delivery of the goods, or the issue of a duplicate Warrant.

C. STEINWEG, Willemskade 20, Rotterdam 2, Netherlands.

SWEDISH MATCH AB

Annual General Meeting

The Annual General Meeting of Swedish Match AB will be held on Thursday, April 24, 1986 at 4 pm at the Skandinaviska Enskilda Banken, Kungstradgardsgatan 8, Stockholm, Sweden.

Shareholders who wish to attend the General Meeting must be recorded in the share register maintained by the Swedish Securities Exchange Register (VPC AB) no later than Monday, April 14, 1986 and must notify the Board of Directors of their intention to attend no later than 4 pm on Monday, April 21, 1986.

The notification of attendance should be mailed to:
Swedish Match AB
Box 16100
S-103 22 Stockholm
or by telephone on:
+46 8 22 06 20

DIVIDEND

Provided that the Annual General Meeting approves the Board of Directors' proposed record day of Tuesday, April 29, 1986, Dividends are expected to be paid on Wednesday, May 7, 1986.

INCREASE OF CAPITAL

In view of the successful nature of this operation, the underwriting was closed in advance on 24 March 1986.

The lead-manager of the operation was BARCLAYS BANK S.A. with the participation of the CREDIT INDUSTRIEL ET COMMERCIAL de Paris, the CREDIT LYONNAIS, the BANQUE GENERALE DU PHENIX and EUROPEAN INTERNATIONAL SECURITIES.

This increase of capital, totalling F257,132,890, was certified by the COB visa number 86-80 dated 4 March 1986. Notification was published in the BALO of 17 March 1986.

Contracts & Tenders

TANZANIA ELECTIC SUPPLY COMPANY LIMITED

REHABILITATION OF EXISTING GENERATION, TRANSMISSION AND DISTRIBUTION FACILITIES

Prequalification of Contractors

The Tanzania Electric Supply Company Limited (TANESCO) invites applications from interested vendors and contractors to prequalify as Tenderers for the several contracts forming the Rehabilitation Project.

TANESCO are in the process of negotiating a multilateral loan for the Project including a major contribution from the International Development Association, an affiliate of the World Bank. Tenderers from all member countries of the World Bank, Switzerland and Taiwan, China are therefore eligible to apply.

It shall be noted, however, that some contracts may be restricted to country-specific procurement rules, depending on the additional sources of non-IDA financing.

There are a total of seventeen contracts to be awarded, covering the refurbishment of diesel engine and gas turbine generators sets and their auxiliaries, provision of transmission line materials, substations equipment, metering, protection and test equipment, vehicles, the equipping of sundry workshops, the turnkey extension of three transmission substations, the provision of live-line working tools plus suitable training and provision of labour for power systems (distribution) rehabilitation work.

For further details of the contents of each contract, application should be made to the Consulting Engineer at the address below giving the applicant's address, telex and fax numbers. Applicants will be provided with outline information on the proposed contracts, the cost of the Tender Documents, and details of the information required to be submitted fo: prequalification and the programme for prequalification and tendering.

Prequalification procedures will in general be in accordance with the FIDIC recommendations and it is a requirement that information be submitted on FIDIC standard forms obtainable from the FIDIC Secretariat.

Prequalification submissions are to be received at the following address by 25th April, 1986.

Mr B. J. Hardy, Project Manager
Engineering & Power Development Consultants Ltd
Marlowe House, Station Road, Sidcup, Kent DA15 7AU
Great Britain
Telex: 25588 G CIVMEC - Fax: 01-300 5735 (G. 2/3 Auto)

Personal | Clubs

SEATFINDERS — Tickets all "sold out" events inc. Glyndebourne, Covent Garden, Theatres, Wimbledon. Tel: 01-828 1678.

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

CLASSIFIED ADVERTISEMENT RATES

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Residential Property	9.00	30.00
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Contracts & Tenders	11.50	39.00
Book Publishers	—	net 22.00

Premium positions available £8.00 per single column cm extra

All prices exclude VAT

For further details write to:

Classified Advertisement Manager
Financial Times, 10 Cannon Street, London EC4P 4BY

THE ARTS

Architecture/Colin Amery

Safety first solution to Grand problem

Nelson must be having problems deciding which way to turn his blind eye. Trafalgar Square has become the focus of the national architectural debate. On one side there is the important extension to the National Gallery now being designed by the American architect Robert Venturi and on the other is the swelling bulge of Grand Buildings which is to be redeveloped by the property company Land Securities.

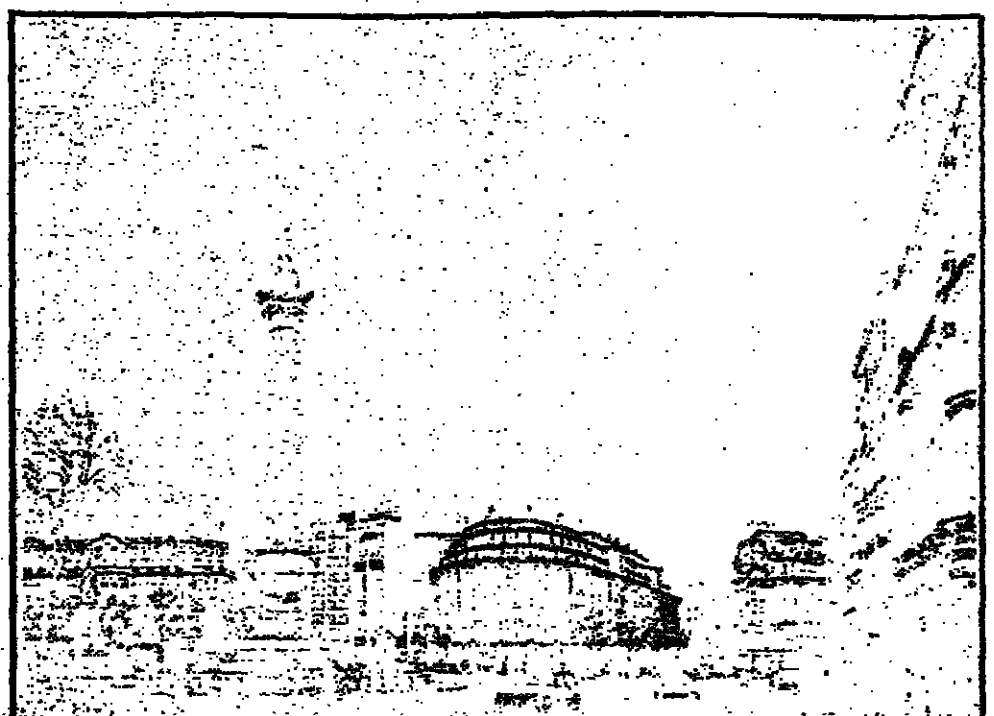
They have just announced that after a long and complex international open architectural competition they are to build something that looks initially almost identical to what is there already. At this point Nelson should turn his telescope back towards the Gallery site in the hope of some architectural excitement.

It is worth recounting the saga of the Grand Buildings site and the not inconsiderable efforts that have been made by Land Securities to find an architectural solution that will satisfy the planning authorities, the public and the Prince of Wales.

Back in July 1983 the company decided to hold an open architectural competition. This is an elaborate business. A panel of six assessors was appointed, two laymen and four architects. Thanks to the co-operation of the neighbouring tenant, Standard Chartered Bank, the competition site was extended to almost one acre. It was not until the end of an elaborate series of consultations that the competition was formally announced in January 1985.

The most satisfactory element of the process was the huge international response. There were 287 entries. These were whittled down to a short list of nine. Three of these were finally offered to the Land Securities board and one winner selected.

All this competitive activity is time-consuming and expensive; premiums of £10,000 were paid to the nine finalists as well as prizes for the final three. It is particularly demanding upon the assessors. The final three schemes offered the board three very distinctive options. David Allford of the YRM Partnership offered a sandstone and bronze curved block that had a prominent cornice and restrained, almost Germanic fenestration.



TOP: A new galleon sails into Trafalgar Square (by Caroline Miller and James Utting)
BELOW: The winning scheme for the Grand Buildings site—a new version of the 19th century by the Sidell Gibson Partnership)

The other runner up was a scheme, illustrated here, by a young and relatively untried practice, Miller Utting architects, who designed an original and spirited scheme. It resembles a great ship, masted with flags flying, that sails up Northumberland Avenue to berth alongside Trafalgar Square.

These young architects consider that Trafalgar Square suffers from a split personality. "It is neither especially inviting nor eventful." They also feel that the lower part of the Square around Northumberland Avenue is "bleak and forbidding."

Their design is certainly eventful, particularly at the top but it does seem to depend upon a not-very-original glass wall treatment which would clearly need developing. There can be no doubt, however, that this proposal has a certain elegant light-heartedness that does not come amiss as imperial pomposity declines towards the Thames.

The winning scheme is by architects Sidell Gibson Partnership, and it is a palimpsest of the Victorian Grand Buildings that currently occupy the site. The winning architects say in their submission, that "The view from the steps of the National Gallery, in hazy evening sunlight, taking in Grand Buildings, Nelson's Column, Big Ben and Admiralty Arch, is one of the great Victorian townscapes. Because of its extreme sensitivity as part of this panorama, and its nostalgic charm, we examined the existing structure in some detail."

In view of these considerations and taking into account costs and dimensions the winners propose a "reconstruction" of the original Grand Buildings, adding an octagonal pavilion at the junction with Northumberland Street and improving the ground level arcade.

As much of the stone detail has been lost, a recarving of many of the decorative elements is proposed.

Their decision to reinforce the existing architectural qualities of the Square is brave. The original architects of the 1878 edifice, the Francis Brothers, would be surprised to see their relatively routine late 19th century commercial building rebuilt as a model late 20th century office block.

What I find hard to understand is how this great Square, unsatisfactory in so many ways, has not been made the subject of a coherent planning study to effect the kinds of improvements that the capital needs. These are beyond the scope of the National Gallery extension and the Grand Buildings site but should be under the eye of some Nelson-like figure at Westminster City Hall.

Of course, the Square is too big and there is an appalling shortage of agreeable restaurants, places of assembly and dignified civic uses for the area. It may not be St Mark's Square but it could be superbly transformed for the Millenium by some urban thinkers with imagination.

Grand Buildings is the safety-first solution. In our hearts we know that it cannot be right to ape the mediocre buildings of the past. Under the framework of an urban plan for the Trafalgar Square of the year 2000 it must be possible to create some buildings that are solid improvements and not-mere imitations.

Mephisto/Barbican

Michael Coveney

After a respectable production at the *Oxford Playhouse* (visiting the Round House) five years ago, and the sumptuous Istvan Szabo film version, it might have been a surprise to find the Royal Shakespeare Company reviving Ariane Mnouchkine's 1979 play about the dissolution of a Hamburg theatre troupe as Hitler rises to the Chancellorship.

But this powerful Brechtian fable is both a fascinating historical document and a paradigm of any power game where moral instinct is sacrificed to political expediency. After a slow start, Adrian Noble's production builds to a feast of gripping statements on the nature of democratic art. John Gunter's design is one of the best the Barbican has seen.

The central figure is Hendrik Hofgen (based on Gustaf Gründgens) who leaves Hamburg to further his career at the Berlin Opera. He walks out on the Peppermill Club, which produces brutal satirical revue (although these scenes are leaden beyond redemption), and his black girlfriend, whom Cathy Tyson plays as an exotic Liverpudlian Josephine Baker. His wife, Erika Bruckner, takes up a cabaret career on his departure, while her brother and father lament the passing order for different reasons before going into exile. The Bruckner family is modelled on the Manns—Erika and Klaus (whose 1936 novel is Mnouchkine's source) and their father Thomas.

Other recognisable notables are Pamela Wedekind, Carl Sternheim (Clive Merrison is outstanding as the famous dramatist berating young people for decomposing before they exist) and an alleged fusion of Carola Neher and Elizabeth Bergner. There are also the heroic martyrs: the old theatre manager (Joseph O'Conor) who commits suicide, the dedicated Communist (Clive Russell) who is beaten to death, and the converted National Socialist actor who resists curruption as the Nazis dictate the repertoire and banish jokes.

This latter character, forcefully played by Paul Spence, is offered the role of Student in *Faust* in order to rumble Hofgen who is returning to Hamburg as a guest star. Whereas Szabo gave us the stunning recepion of the diabolic actor by Goering in a private box, Mnouchkine leaves him suspended and abandoned backstage, racked with the knowledge that no-one will sing at his funeral. Alan Rickman, offering an intriguingly listless alternative to Ian McDiarmid's satanic, vulpine reading at Oxford, intones the plangent last line of defence: "What can I do—I'm only an actor!"

Only doing my job, squire. The play offers almost limitless variations on this theme while Mr Rickman progresses, trance-like, up the ladder of fame. His career just "happens" and he takes the biggest job of all because, as he says, if he doesn't, somebody else will.

Apart from the duff cabaret items, Timberlake Wertenbaker's new English text is tough and scatological, particularly good in the theatrical set pieces of Klaus Mann's *Anja and Esther* rehearsal (Fiona Shaw's clownish Erika outrageously insinuating herself within Pauline Moran's nightie) and the family idyll at Thomas Mann's (Mark Dignam) which drifts into an unconscious *Cherry Orchard* charade. The vast stage is thrillingly used and there is some perky Weillian pastiche music by Ilona Sekacz.

Triple Bill/Covent Garden

Clement Crisp

Without making it sound too like a stirring tale for girls, *Thursday's programme by the* Royal Ballet could well be subtitled "Antoinette Sibley to the rescue." The evening, which had begun with two pancake flat performances, *Birthday Offering's* jewels without *sparkle; Sons of Horus lacking* only the deity protective of avoirdupois to guard over its rather portly cast, suddenly came to grips with ballet as an *art of the theatre in a most* satisfying account of *A Month in the Country*.

In this, Miss Sibley fired her colleagues, with a fine sense of drama and a crystalline account of the dances. Playing Natalya Petrovna as a woman barely concealing her feelings, her *character swept by summer* storms of passion.

Dramatically persuasive, the role was also most persuasively danced—and how right, in dancing to Chopin, that there should be an enchanting sense of rubato, and exquisitely long cantilenas of the choreography's melody.

It was in every way a perform*ance to catch the heart,* as it clearly caught the heart of Mark Silver's Belyayev, more impetuous than heretofore, and with a nervous energy to give bold shape to the dance passages.

In Viviana Durante, Vera gains a lively new interpreter, quick in temperament as in step, and touching at all times.

I wish that it were possible for Birthday Offering to be cast with a greater sense of the individual savour of each of Ashton's came variations, which were once lightning sketches of ballerinas by a master portraitist, but now seem mere "school of Ashton" copies.

Only Fiona Chadwick appears in control of her solo, filling its outlines through qualities rarer than mechanical facility, and telling us thereby something very attractive about herself as well as about the choreography.

Philharmonia/Festival Hall

Andrew Clements

A concerto, a classical symphony, a song cycle—just what should begin a concert that *is going to end with the* rowdy ebullience of Mahler's First Symphony? Returning to the Philharmonia last Thursday for the first of three concerts with the orchestra of which he was until 1982 music director Riccardo Muti chose another symphony, Honegger's Second for trumpet and strings, to brace up the palate *before* Mahler 1.

Honegger's status as a symphonist seems to have become stuck upon the Second and Third (a familiar coupling on record), though he wrote another pair before his death in 1955. But as Muti pungently demonstrated the Second, completed in occupied Paris in 1941, *is a concentrated, thematically* economical structure which in the right hands can generate a good deal of austere expressive intensity. It demands tight, well-disciplined strings, and the Philharmonia, with an admirable dynamic range—a marvellous, *lingering chord to end* the first movement—and close attention to the rhythmic patterning that keeps the outer movements on course, managed that with something to spare.

Muti's reading of Mahler's First is well known and well thought of. On its own terms it is undeniably exciting—the finale proceeded through a sequence of electrifying climaxes that preserved the tension to the very last chord, and the central pair of movements had been vividly characterised. Yet is seems to have little to do with Mahler, or rather with the symphonic *tradition that Mahler developed*, and a lot more kinship with the 19th-century programme symphony from Berlioz through Liszt to Chaikovsky's *Manfred*.

Brahms concertos/Barbican Hall

Dominic Gill

The purpose of reviewing last Thursday's and Saturday's London Symphony Orchestra concerts together was originally to report on performances of both the Brahms piano concertos by Stephen Bishop-Kovacevich, who was to have been the soloist on both occasions. But Bishop-Kovacevich cancelled, and his place was taken at short notice by two other pianists, respectively *Peter Frankl and Peter* Donohoe.

Frankl's account of the D minor concerto no. 1 was well meaning and satisfyingly well prepared rather than brilliant; it had a poised, perceptive presence—but not much bravura. *I found his opening movement* a little overwrought with lingerings: the music really needs establishing with a firmer, less self-consciously pointful pulse. But his adagio was touching in its directness and careful simplicity—the same qualities tended to sound more deliberate in the finale, where the pace, articulation and phrasing all call for a higher-voltage electric charge.

Donohoe's account of the B flat concerto no 2 was another matter. It was a shade more crudely conceived than the memorable broadcast performance of the same concerto I heard him give under Sanderling last year—but it had the same explosively honest clarity, and was driven with the same grand excitement.

He plays all of the three faster movements unusually slowly — but the effect is never merely deliberate: the opening allegro is underpinned by enormous latent forces which move *to the surface, gain dominance*, like the slow uncoiling of a spring. There was a gripping undercurrent of fierceness here, and in the scherzo, which opened like a flower (the spring had finally uncoiled) in the andante — at once deeply *sombre and luminous*, the Brahmsian paradox perfectly achieved. A beautiful cello solo from Douglas Cummings.

Both concerts were conducted by Myung Whun Chung, correctly and with clear, graceful gesture—but with little sinew. *He did not draw much of dis*tinction from the LSO (and no more than a fraction of the knife-edge intensity which Dorati drew meanwhile elsewhere from the RPO); the performances of Dvorak's seventh and eighth symphonies which *completed the programmes were* decent enough, but poetically limp. The balance of parts in the wonderful introduction to the slow movement of the B flat concerto was actually prosaic.

Music in Budapest: 2

David Murray

This year's ISCM World Music *Days had their problems, as I* reported on Friday. Amid the rash of cancellations quite a lot of music survived (those pieces that weren't dead before *they started, at least*); some of it was interesting, and some of it was well played. It can be difficult to tell whether a really inept piece is being badly played or not.

One suspected, for example, that passages in Bruno Strobl's *Septet* ought to have been delivered much more dramatically than Mátyás Antal's ensemble managed, but any musician would be dispirited by *such naive*, limply constructed, interminable stuff. It took longer than predicted, but otherwise fulfilled the expectations raised by Strobl's programme-note — "within its deliberate confinement for the development of efficient models of thought which are applicable and — if striving hard — can be developed by everybody" (sic). A television crew came and blinded the audience for *part of the first movement*; they returned to make the Bulgarian Simeon Pironkoff's Theme and Variations (neo-Romantic and negligible, with impassioned violin and brutal piano) into a weird performance-piece, cranking around the players to get their close-ups.

Antal also conducted Petrassi's *Sestina d'autunno*, which William Weaver described on this page as music of "agility, freshness, delight" after its premiere: it sounded nothing like that here. Hans Abrahamsen's Six Pieces for trio sounded characteristically gentle and wistful, but perhaps at a lower profile than intended. Zsolt Serei's "youth chamber studio ensemble" gave a fair account of George Benjamin's *At First Light*, but missed the point of Harrison Birtwistle's *Secret Theatre altogether*: they turned a notably taut, exciting work into something as tame and placid as *Sylvia*.

Serei's ensemble did better (I think) by Suzanne Giraud's *Ergo Sum*, a whimsical piece with bright surface details and an elusive form, and by Denys Bouliane's *Comme un silène entr'ouvert*. This Canadian piece, a bold, teeming fantasy for a few live players and many more on tape, provoked heated *reactions*. A great variety of musical items goes into the stew, which eventually reduces itself — against an ingenious background of slipping pitch — to a Sondheimish cocktail-bar piano. People found it fascinating or slickly dubious according to taste.

With the Budapest Symphony Serei conducted his own *Calyr*, which has three orchestral parts delicately and later reunites them for a long, luminous close. Its musical terms are familiar, but exploited elegantly and honestly. In the same concert, a respectful revival of *Gemma* by the late Rudolf Maros suffered by its proximity to Bartók's Concerto (which replaced a *Symphony* by Alain Banquart and Per Norgard's Glasgow piece *Burn*). Maros, a stalwart of the International Society for Contemporary Music, was of a generation still in thrall to Bartók.

The next Hungarian generation after Maros was splendidly represented by György Kurtág's *Scenes from a Novel*, in which the soprano Adrienne Csengery had her usual triumph. The young, all-girl (except the *double-bass*) Weiner String Orchestra gave beautifully prepared performances of Roger Tessier's *Isomérie* and the Australian Gerard Brophy's *Orfe*, under their conductor Richárd Weninger. The first offered opalescent harmonic effects *without sinews*; the second was more toughly inventive, making dramatic play with its pair of violas caught between higher and lower strings. There was a pungent, harried Viola Concerto from a senior figure, the adoptive Argentine Marcelo Koc, and a brilliantly busy oboe concerto, *Dedica*, from the new Australian Riccardo Formosa. Excellent soloists in László Bársony and János Edöcs, keenly supported by the Savaria Symphony.

The Savaria orchestra, conducted by János Petró, was brave with other challenges too: Karen Tanaka's *Prismes*, an expert Technicolor splash after Takemitsu, the *free-fall riot Tashi Gomang* by Pauline Oliveros, Nono's chilly experiment *A Carlo Scarpa* (which wanted more clinical precision).

The Debrecen Percussion Ensemble had a furious quarter-hour with Anne LeBaron's *Rite of the Black Sun*, which wanted dancers to complete its effect. The most truculently original music was the *DLJA . . .* of Hans-Joachim Hespos, a violent animated cartoon with clarinet and sax squealing above menacing barks—some of them vocal—from three heavy brass.

The string quartets heard were without exception intricate, frail and private; Dario Maggi's *The Hidden Folds of Ideas* sounded strongest, so far *as one could judge from an* imperfect tape. In a less elaborate idiom, *Cantus II* for string trio by the Russian-Israeli Mark Kopytman was spare, moving and profoundly Jewish. Folk-overtones also warmed the Yugoslav Marko Ruždjak's *Yours sincerely* for clarinet (Kiss again). National idioms in music are not outdated: nothing in the grown-up programmes was more inspiriting *than the concert of Hungarian* "educational" music (Kurtág, Balassa, Durkó) given in Szentendre by utterly musical children without airs.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

April 4-10

Music

LONDON

Royal Philharmonic Orchestra conducted by Antal Dorati with Radu Lupu, piano. Beethoven. Royal Festival Hall (Mon). (928 3191)

Philharmonia Orchestra conducted by Riccardo Muti with Itzhak Perlman, violin. Tschaikovsky and Scriabin. Royal Festival Hall (Tue.)

City of London Sinfonia conducted by Yan Pascal Tortelier with Yuzuko Horigome, violin. Ravel, Mozart, Hoddinot and Beethoven. Barbican Hall (Tue). (638 8891)

Antal Dorati 80th birthday concert in the presence of Princess Anne. Royal Philharmonic Orchestra and Brighton Festival Chorus conducted by *Antal Dorati*. Beethoven. *Royal* Festival Hall (Wed).

London Philharmonic Orchestra conducted by Jesús López-Cobos with Jonathan Snowden, flute and David Watkins, harp. Ravel, Mozart and Rimsky-Korsakov. Royal Festival Hall (Thur).

PARIS

Felicity Lott recital (Mon), Theatre de l'Athenée (4742 6727)

Orchestre de Paris-chamber music: Beethoven, Gounod, wind instruments (Tue 8.15 pm). Salle Chopin-Pleyel (4561 9607)

Inaki Fresan, baritone, Manuel Cabero Ipueyo, piano: Mozart, Schubert, Schumann (Tue 8.30 pm). Théâtre des Champs Elysées (4723 4777)

Ircam conducted by Pierre Boulez: Around Schoenberg, in connection with the Vienna Exhibition (Wed). Centre Georges Pompidou, Grande Salle. (4277 1233)

Nouvel Orchestre Philharmonique conducted by Eliahu, Inbal, Rafael Orozco, Piano: Rachmaninov, Mahler (Thur), Radio France, Grand Auditorium (4524 1516)

ITALY

Rome: Theatro Olimpico (Piazza Gentile da Fabriano): The Age of Rossini: *Music by Rossini and other Italian composers of the early 19th century sung by the young soprano Cecilia Gasdia (Wed).* The orchestra is conducted by Franco Petracchi. (39 3304)

Milan: Teatro alla Scala: Narciso Yepez (guitar) and Nicanor Zabaleta (harp). Soler, Montsalvatge and Rodrigo (Mon). (80 9126)

Rome: Oratorio del Gonfalone: (Vicolo della Scimia 1/b – Via Giulia): twelve sonatas for flute and harpsichord played by Angelo Persichilli and Marioline de Robertis (Thur). (655 952)

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Philharmonic conducted by Ken-Ichiro Kobayashi, with Augustin Dumay, violin, Lalo, Berlioz (Tue). Riccardo Chailly conducting the Concertgebouw Orchestra, with Jorge Bolet, piano, and Jard van Ness, mezzo. Berio, Ranck, Ravel (Wed, Thur). Recital Hall: Yo-Yo Ma, cello, and Patricia Zander, piano (Thur). (71 83 45).

Utrecht, Vredenburg. Screening of Eisenstein's Battleship Potemkin, with *Edmund Meisel's* score performed by the Brabant Orchestra conducted by Allan Feron (Mon). Three-piano recital by Louis van Dijk, Pim Jacobs and Daniel Wayenberg (Thur).

Recital Hall: Yo-Yo Ma, cello, and Kathryn Scott, piano. Schumann, *Crumb*, Schubert, *Brahms* (Tue). Colorado String Quartet, with Rain de Waal, piano. Haydn, Shostakovich, *Brahms (Thur). (31 4544).*

NEW YORK

New York Philharmonic (Avery Fisher Hall): Marilyn Schmiege mezzo-soprano, *Rudolph Firkusny piano*, Werner Klemperer narrator, New York Choral Artists directed by Joseph Flummerfelt. Martinu, Novak, Dvorak (Tue): Christopher Hogwood conducting, Jeanne Baxtresser flute, Judith Leclair bassoon. All-Mozart programme (Thur). Lincoln Center (874 2424)

Merkin Hall (Goodman House): Adria Firestone, mezzo soprano recital, Granados, Barber, Ravel, Menotti, Bernstein, Biscardi, Barab, Colgrass, DeFalla (Mon); Boston Camerata. Joel Cohen director. Spanish Renaissance programme (Tue): Yosef Yankelev violin recital *with Dina* Smirnov piano, Weinberg, Engel, L Kremen (Wed); Concerts Plus. Simca Heled artistic director. Harp programme (Thur). 67th w. of Broadway (362 8719)

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting. Tucker, Haydn, Bruckner (Tue). Mstislav Rostropovich conducting and 'cellist' Hugh Wolff conducting. All-Dutilleux programme in honour *of the composer's 70th birthday* (Thur). Kennedy Center (254 3776)

Saleroom/Antony Thorncroft

Christie's presses on

Christie's seems determined to push ahead regardless with *the sale of Goya's portrait of* the Marquesa de Santa Cruz as a Muse in its Old Master picture sale on Friday. The Spanish Government is up in arms at the auction because it maintains that the painting was illegally exported from Spain.

The Spanish Government is still pursuing its case through the courts, and Christie's faces both a possible legal stumbling block and some opprobrium in offering the painting. It is influenced by its great rarity, beauty, excellent condition (the canvas has never been relined), and very high potential price.

The bad publicity that the auction has engendered could affect the price of the Goya. Christie's is putting a low estimate of £5m on the painting, but has hopes that it might exceed the record for a paint*ing at auction of £8.1m,* which it set last year when selling the Marquess of Northampton's Mantegna.

The painting is in the neo-*classical tradition of Ingres* and Canova and has been com*pared with Goya's famous* "Maja Desnuda," painted five years earlier, in 1800. It is being sold by one of Lord Wimborne's family trusts.

There is no dispute over the ownership of no less than 18 works by Pieter Brueghel the Younger which *Sotheby's is selling on Wednesday*. They were collected by the Belgian businessman Charles De Pauw who concentrated on works by *Flemish artists. There is no* shortage of these animated peasant scenes — they are almost a commodity market — and prices will range from *around £50,000 to £300,000.*

Another good name appears at Christie's English furniture sale on Thursday — Thomas Chippendale. It is very rare *to get items from his workshop* at auction and these have a most distinguished pedigree — they were supplied for Harewood House and are now being *sold by the Harewood Charitable Trust*. The top price, in excess of £50,000, is expected for the only surviving pair of George III silvered mirrors by *Chippendale. They cost £40* new.

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Monday April 7 1986

Common sense rules the EMS

THE European Monetary System has shown again how common sense can triumph over political dogma and academic pendantry. The smooth and amicable realignment of EMS currencies negotiated over the weekend by the European finance ministers should have been more than a little galling for Mr Nigel Lawson, who, as usual, attended the meeting in Ootmarsum only as a passive observer, since the time was "not yet ripe" for Britain to become a full member of the EMS.

If past experience is any guide, the 6 per cent devaluation of the French franc against the D-mark agreed yesterday will lay firm foundations for another extended period of currency stability in the EMS. It should allow a gradual lowering of the whole interest rate structure in France, Italy and the other high interest countries on the Continent. And it will provide an excellent background for the liberal economic measures, including the lifting of many exchange controls, which have been promised by the new conservative French government.

Perverse

Compare the prospects that Mr Lawson can hold out to justify his disdain for the EMS. The Chancellor has hinted from time to time that exchange rate stability is among the principal objectives of government economic policy. The French have in effect long since achieved this in the EMS. Yesterday's 6 per cent devaluation of the franc came more than three years after the last change in parity against the D-Mark. In Britain, meanwhile, despite the Treasury's arcane suggestions of greater stability, companies must accept currency gyrations of 6 per cent as a monthly fact of life.

Lower interest rates are another central objective of British government policy, and provided a measure of stability returns to the oil and currency markets, the Chancellor may be able to knock a point or more off interest rates in the not too distant future. He will not wish to underline, however, that French short-term interest rates are already some 3 percentage points below the British level, even before the further declines which may follow the weekend's realignment. There are various reasons for France's lower interest rates.

However, when British interest rate policy seems to be determined almost entirely by the need to preserve confidence in sterling, it is simply perverse to deny, as some of the Government's economic advisers apparently still do, that the stability of EMS has helped to lower French interest rates and could do the same for Britain.

Exchange rates and interest rates are, however, not the ultimate criteria for judging EMS membership. Currency stability and low interest rates are not ends in themselves. Although the EMS has unquestionably been successful in creating a "zone of monetary stability" in Europe, as its founders promised, its record in terms of the ultimate objectives — low inflation and steady growth — is less clearcut.

In the seven years that the EMS has been in existence, Europe has suffered from a profound crisis of unemployment; its economic growth has generally lagged behind that of America and Japan and inflationary behaviour has proved disappointingly entrenched and enduring.

While much of the blame for these problems cannot be laid at the door of monetary or macroeconomic policy, it must be admitted that the EMS has imparted a generally deflationary bias on the whole of the European economy as a result of the well known problem of all fixed exchange rate arrangements. It is always difficult to persuade the members with the strongest currencies, in this case the Germans and the Dutch, to adjust their policies in a more expansionary direction.

Some British politicians could reasonably maintain that this is a powerful objection to EMS membership. However, Mr Lawson and Mrs Thatcher are not among them. For much of last year Mr Lawson was making it discreetly known that he was close to being convinced of the benefits of EMS membership for Britain. In recent months he seems to have been dissuaded again by the unreconstructedly monetarist arguments of Professor Alan Walters, Margaret Thatcher's personal economic adviser, who argues, in effect that a stable EMS is a theoretical impossibility.

Is it too much to hope that the weekend's events in Ootmarsum will finally persuade Mrs Thatcher to reject theoretical nitpicking and embrace common sense?

Capital questions about cheap oil

SOME OF the best American economic analysts are having second thoughts about the impact of lower oil prices on the US economy. They have been alerted by the distress signals from the oil-producing states, where cuts in investment which have already been announced will reduce expenditure by some 0.3 per cent of US GDP, before allowing for the multiplier effects of reduced employment and consumer confidence in the hardest-hit areas. In Texas, for example, car sales have fallen by 60 per cent in the initial recoil from the oil price shock.

This has led to a growing view that the initial impact of the oil price shock will be deflationary, rather than stimulate the US economy, although it is still believed that the effect of reduced prices on real consumer spending power will give a net benefit, pointing to strong growth in the second half of the year.

However, Morgan Guaranty, taking a more Olympian view of the whole economy, reaches a still more sober conclusion: since the US was producing some two-thirds of its domestic oil requirement before the price fall, the main effect of the change is to shift real income from one region to another rather than to increase the total. It should be stressed that neither of these analyses means that the US outlook is gloomy, as seen by these forecasters; it means simply that the contribution of lower oil prices will be much less dramatic than the market reaction might suggest. The Morgan Guaranty analysis, for example, suggests that the impact of the dollar's international decline will be up to five times as great as that of the lower oil price.

It may seem strange that US analysts have taken some months to make such seemingly obvious calculations; but in fact they are far ahead of their rivals in other parts of the world. Next to nothing is known about the impact of the fall in oil prices—and of greatly increased uncertainty about future price trends—on investment patterns in other oil producing areas. Since oil investment globally is still running at some $100bn annually, having peaked at nearly $140bn in 1983, the changes involved are not trivial. They could, for example, quite readily dwarf the much-discussed plans to reduce the US fiscal deficit.

It is true that the fall in investment in the US is likely to be much sharper than elsewhere. The US contains a high proportion of the highest-cost oil in the world market, either in costly secondary stripper wells or inaccessible fields such as the Alaskan North Slope.

Guesswork

In other fields, reactions will vary widely. In the North Sea, despite its high costs, lead and development times are so protracted that any impact is likely to be damped as existing project are completed, and some developments aimed at lower costs may even be accelerated. The outlook seems to vary from project to project and from company to company. Equally little is yet known for any country about related investment impacts—in power generation, for example, or the rate of civilian air fleet replacement.

For the time being economic officials seem simply to assume that any falls in energy-related investment will be more than offset by rises in investment spending in response to enhanced consumer spending. Here again, though, guesswork may prove a poor guide. Investment decisions are made in response to views about the future, and not just to current market conditions — especially at a time like the present, when many major industries are suffering from gross overcapacity.

The future outlook for oil prices — and thus for the durability of any stimulus resulting from their fall — is extremely uncertain at the moment, and many prudent companies respond to uncertainty by adopting a wait-and-see approach. Economic policy makers should not rely on guesswork where it is avoidable, or succumb to market euphoria.

The investment outlook can best be discovered not by projection or modelling, but by asking the right people the right questions.

FRANCE

The devaluation of the French franc is the first major realignment of the EMS since 1983. **David Housego** reports from Paris on the implications for the new Government and **Rupert Cornwell** discusses the reaction in Bonn

GERMANY

More leeway for Mr Chirac . . .

THE NEW right-wing French administration of Mr Jacques Chirac will have such a frail majority in the National Assembly that over the coming months it will be navigating under the continuing threat of a snap parliamentary or presidential election. It is in this context that yesterday's devaluation of the franc against the other currencies in the European Monetary System (EMS) brings the Government two main advantages.

The first is that for the foreseeable future it removes the danger of further attacks on the currency that would have damaged the credibility of a conservative administration. The renewed build-up of pressure on the franc on Wednesday and Thursday—the third week running in which there has been rumbling in the foreign exchange markets since the March 16 poll—was a signal to the Government that it would have no chance of implementing its programme of economic liberalisation if it had to face an exchange rate crisis every weekend.

Hence the unilateral French decision on Thursday to halt intervention in support of the franc, which forced France's European partners to agree to immediate re-negotiations on a currency realignment.

The second main advantage for a government that believes its electoral prospects will be largely determined by its success in creating jobs is that the realignment will provide some stimulus to exports and investment — and hence to employment. The French were not seeking a competitive devaluation. And the 6 per cent depreciation against the DM, which is in effect likely to be less, does not amount to one when compared with the cumulative 12 per cent difference in France's and West Germany's inflation rates since 1983.

But the realignment should give more buoyancy to French exports of manufactured goods which rose last year by only 1.8 per cent in volume terms compared with a 9.8 per cent increase for Britain, in part because of the overvalued franc. It will also enable the Government to cut real interest rates which at historically high levels of 5 per cent on short-term money.

The first sign of this should be the Bank of France's lowering its intervention rate—the leading money market rate—this week from its current level of 8½ per cent. But the scope for significant cuts has been sharply reduced by the stiff monetary target for this year announced yesterday by Mr Edouard Balladur, the new Minister of Economy.

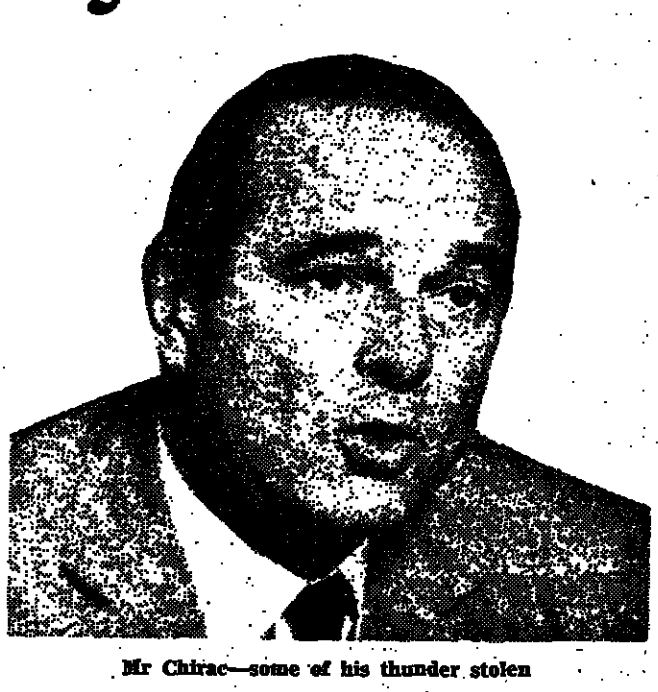
Monetary growth this year is to be limited to under 5 per cent after a period of overshooting last year when M2 expanded by 7-8 per cent against a target of 4-6 per cent.

Yesterday's package of economic measures which accompany the devaluation announcement measures, including a substantial lifting of exchange controls, will be elaborated in Mr Chirac's statement of policy before the National Assembly on Wednesday. But the hurried devaluation has clearly stolen some of Mr Chirac's thunder.

The major risk of yesterday's devaluation is that it could put a stop to what was the main economic achievement of the socialists—the sharp reduction in inflationary expectations. Mr Pierre Beregovoy, the former Finance Minister, was quick to seize on this yesterday when he attacked the Government as having "renounced the fight against inflation as the priority of economic policy."

The French have been rubbing their eyes in amazement to find that inflation could fall to 1.5-2.0 per cent this year after 4.7 per cent in 1985 and over 13 per cent in 1981.

With the devaluation feeding back into the pipeline an automatic 0.7 per cent increase in the consumer price index in a full year and with other aspects of the Government's programme such as the lifting of price controls also having inflationary consequences, the risk is that this downward spiral could be reversed.



Mr Chirac—some of his thunder stolen

Given the structural weakness of the French economy as reflected in France's declining share in world trade in manufactured goods, another risk is that the level of imports will not be checked. Notwithstanding a modest 1.3 per cent growth in GDP last year, imports rose in volume terms by 4.7 per cent after a 2.3 per cent rise in 1984 and a 0.6 per cent decline in 1983.

The accompanying measures are intended to avoid the dangers to inflation and the trade account. Mr Balladur has set a target of holding inflation down to 2.3 per cent by the end of the year. Salaries for public employees will not be increased this year beyond the 2.7 per cent increase in wage costs that is already in the pipeline. Almost FFr 15bn of savings are to be made in public expenditure this year — equivalent to 10 per cent of the anticipated budget deficit left by the socialists.

On top of this it is possible that in the supplementary budget to be presented to the National Assembly in 10 days, the Government will go further in squeezing household purchasing power by increasing social security contributions to help cover an estimated FFr 24bn deficit in the social security fund this year.

But ministers will have a hard time pushing too far in the direction of what Mr Balladur called yesterday "severity." The Government is dependent on trades union acquiescence for other elements in its programme designed to increase productivity and reduce the rigidities in industry.

The need to hold down household purchasing power is all the greater because of the inflationary consequences in other aspects of the Government's programme. Mr Balladur confirmed yesterday that price controls in general would be lifted to strengthen corporate profits, while giving himself some room for manoeuvre by saying that price freedom will in future be "the rule." The Government is also expected to increase public utility charges to help curb public sector deficits.

Mr Balladur did not spell out in detail yesterday the full macroeconomic consequences of the devaluation—indeed it was so hastily decided that French officials left for the Netherlands on Friday without any detailed package of accompanying measures. Before the devaluation, the French treasury had been looking to a 2.5 per cent growth in GDP this year with inflation falling to 1.5-2.0 per cent and the trade account moving to a FFr 30bn surplus, compared to a FFr 24bn deficit in 1985. This was on the basis of a parity of FFr 7.50 to the dollar and an international oil price of $30.

But even before the weekend meeting, the BIPE, the private French forecasting institute, had allowed for a 5 per cent devaluation in its calculations as well as for the lifting of price controls and the raising of public sector tariffs. On these assumptions—and with a dollar at FFr 6.90 and an oil price at $18.50—the BIPE calculated that inflation could still be held to 2.2 per cent by the end of the year and that the trade surplus would reach FFr 45bn. But the BIPE also believes that investment and exports will continue to be hesitant.

In political terms the devaluation nonetheless points to an earlier election rather than a later one — in that the economic indices are likely to be better this year than in 1987 when the impact of the decline in the dollar and of oil prices on the balance of payments is likely to be less.

The real question for industry lies not in any short term boost that the devaluation might give to exports (the last two devaluations have failed to halt the decline in France's share in world trade in manufactured goods). It lies in whether the rest of the Government's economic package to be outlined by Mr Chirac on Wednesday will, over the long term, strengthen French investment and industrial competitiveness.

. . . and Mr Kohl's little 'sacrifice'

IF PRECEDENT is anything to go by, the modest EEC currency realignment of this weekend will make small difference to West Germany's immediate economic prospects—and that is exactly as the centre right coalition government here would like it.

France may just have come out of a general election, but Chancellor Helmut Kohl, under investigation in the "Flick" political payments affair and hardly admired for his qualities of leadership, is facing one of his own in barely nine months, and his strongest argument for a second term is his country's ever-improving economic performance.

By general consent, the Ootmarsum package should do little to damage it. The net 6 per cent adjustment between the mark and the French franc was in line with every expectation here. The overall impact of the realignment translates into a 2.9 per cent revaluation of the German currency against its partners in the European Monetary System (EMS), and one of only 1.2 per cent on a worldwide basis, according to calculations from the economics ministry. Scarcely the stuff to destroy the competitiveness of German industry.

Indeed, Bonn may be said to have acted out of enlightened self interest. A cut in its trade surplus with France—DM 14.7bn in 1985, accounting for precisely half of its surplus within the 10-nation, pre-enlargement EEC—will serve the political cause of greater balance between the economies of the two states

At the same time, circumstances could hardly be more favourable for such a "sacrifice," if thus it may be described. A revaluation of the mark within the EMS has been built into most economic forecasts for 1986. Yet during the period up to the January 1987 election, the benefits of falling oil prices will probably outweigh any loss of export competitiveness suffered through a more expensive currency.

Import prices are some 10 per cent less than a year ago and the trade surplus may well exceed 1985's record of DM 73bn by DM 10 bn or more. Such projections, in the shorter term at least, are less likely to be upset by Ootmarsum than by a recovery in the oil price or a new plunge by the dollar.

In the meantime the steady economic recovery since 1982, the proudest boast of the present government, continues. Cautiously, Bonn has upgraded its prediction last autumn of 3 per cent real growth in 1986 to nearer 4 per cent now, against the background of virtual price stability.

The advantages of cheaper oil will not last for ever but lower import prices should flow from the latest revaluation and help keep the lid on inflation until the effects of stronger domestic demand and the higher wage settlements feed through later in the year.

Until then, however, it is hard to argue with the endless assertions of Chancellor Kohl's spokesmen that 1986 will be a vintage year for the West German consumer.

The Goverment's original plan was to inject DM20bn into the economy by means of a two-step package of personal tax cuts, this year and in 1988. In the event cheaper imports, thanks to a mark revalued against the dollar (not to mention now the EMS currencies) and the collapse in the oil price, could, when taken with the first tranche of tax cuts, add no less than DM70bn to domestic demand in 1986.

Such an outlook indeed adds slightly more credence to hopes that unemployment might finally decline a little from the 2.2m level at which it has stuck obstinately since 1984. And even a small shift in the right direction would be electorally helpful to Mr Kohl in the run-up to next January.

On one front, however, there could be trouble. The currency alignment will automatically be passed on to French farmers in terms of higher franc-denominated prices for their produce. But after the revaluation of the mark, Mr Ignaz Kiechle, the West German agriculture minister, will wage a tougher fight than ever to thwart the commissions designs to cut EEC farm prices for the forthcoming season.

The disgruntlement of the farm lobby, natural supporters of the Chancellor's ruling Christian Democrat party (CDU), is a heavy shadow over the electoral prospects of the CDU in the all-important June election in the agricultural state of Lower Saxony.

For that reason, the revaluation may well presage yet more difficulties when the agriculture ministers of the 12 resume their negotiations on April 21.

Clearly sensing trouble ahead, Mr Kiechle yesterday renewed his promises to German farmers — and in particular to those of Lower Saxony — that national subsidies would be on their way, should the Brussels talks in a fortnight fail. In comparison the 36-hour tussle over parities in Ootmarsum may well appear a simple exercise.

Men and Matters

Invest in Britain

Christopher Priston, a civil servant with rare experience of sales and marketing in industry, today takes over the job of persuading foreign businesses to continue to invest in Britain.

Priston, 47, succeeeds David Harrison-Harvey—who is returning to IBM after a two-year secondment—as head of the Department of Trade and Industry's 40-strong Invest in Britain Bureau.

The unit promotes the UK as a location for investment, working through the diplomatic service abroad, with the DTI's regional offices in England, and with the Scottish, Welsh and Northern Ireland development bodies, at home.

Priston takes over at a high point in the bureau's fortunes. A £1m "Britain Means Business" campaign last year raised the number of foreign investment projects to 892 compared with 738 in 1984. A record number of US companies put down roots in Britain—158 compared with 134 in 1984.

"Over 40 per cent of US direct investment in Europe is located in Britain," Priston says. "And we have more than a third of the total of Japanese investment as well."

Competition for US and Japanese investment, in particular, is going to become fiercer, he believes.

Priston, who joined the civil service in 1973 after a business career that included 10 years with Fisons and Courtaulds in a variety of jobs from market research to export sales, has recently been responsible for the DTI's regional assistance schemes.

He is aware that the efforts to attract foreign investors are not always popular among British industrialists. But he says: "British industry recognises that it has to compete with them anyway, and though it may not be very comfortable at first to have them sitting next door, it is better to have them here, rather than elsewhere competing with us."

"I'd like one of these jobs that'll nurture, stimulate and excite me that Sir John Harvey-Jones was on about"

Oil price

With oil at $10 a barrel, the days are long gone when oil companies fell over themselves to bid millions for the right to explore in strang, new territories.

Things, in fact, seem to have returned to an earlier age when the basis of negotiation was "I give you beads, you give me land."

Or so it would appear from the exploits of Roland Shaw, the American chairman of the UK-quoted oil company, Premier Consolidated Oilfields.

Shaw tells me that he has been given exclusive rights to explore 1.3m acres in the Gulf of Papua by the minister for minerals of Papua New Guinea. And what did Premier give in return? "Twenty-four gold pens with our company name on them," says Shaw.

Real gold, with oil prices at these levels? "Of course not," says Shaw. "What do you take me for, an idiot?"

Having hacked his way out of the Papuan jungle, Shaw at the weekend fired off a letter to Goal Petroleum, in which he recently built up a 12 per cent stake, asking for a seat on its board.

Shaw asserts that his presence "will lend weight to Goal's board." Since he tips the scales at over 20 stones, there is no arguing about that.

Chipping in

Stanford University, the California educational institution which enjoys such immense prestige, has just been endowed with its largest-ever gift from an individual. William Hewlett, co-founder of Hewlett-Packard, the electronics manufacturer, has pledged $50m to the university, which is celebrating its centennial next year.

Of Hewlett's gift, $40m will go towards the $250m cost of developing new science and engineering facilities at the university. The other $10m is to be used as "matching funds." For every $3 in scholarship and educational support that Stanford raises, Hewlett will donate $1. The university has set a target of $40m in scholarship money in its centennial campaign.

Hewlett, who graduated from Stanford's engineering school in 1934, says: "Stanford has been important to me and my family, to my company, to this community and to the nation. I want to see it strengthened for the future so that it will continue to benefit society through educating promising young people and performing research essential to the progress of mankind."

While at Stanford, Hewlett met his future business partner, David Packard, an engineering classmate. They formed the partnership in 1939 which grew into the Hewlett-Packard corporation. Hewlett is now vice-chairman of the company, and owns more than $900m in company stock.

Share float

One of the more exotic of the London Stock Exchange's moveable assets made her debut over the weekend. Crusader, first of the 12-metre yachts in Britain's America's Cup challenge, sailed for the first time off Perth, Western Australia.

Alone of the 18 syndicates contesting the Cup, the British team took the route of floating a public company to finance the challenge. The flotation raised slightly more than £3.3m earlier this year—75 per cent of the total budget.

"It is a slightly odd feeling having shareholders," said skipper, Harold Cudmore, who, though suffering from food poisoning, handled the inaugural sail. "Tell them that we are using the resource in the best possible way—and the weather's lovely."

Hello, and goodbye

A touch of irony from the minutes of a meeting of the Confederation of Industry's economic and finance policy committee of March 20, circulated at the weekend.

"Chairman, Sir Kenneth Durham," the minutes record, "welcomed a new member of the committee, Mr Mark Souhami."

Two weeks later, Durham, chairman of Woolworth, found himself rejecting a takeover bid from Dixons, where Souhami is chairman of the retail division.

Observer

Robert Graham reports from Brazil on reaction to the 'Cruzado Plan'

IN BRAZIL popularity is usually reserved for football teams and TV soap operas, not governments. But the Government of President Jose Sarney is basking in a glow of popularity since the introduction on February 28 of the "Cruzado Plan." In the past few weeks the initial success of this stabilisation programme has raised hopes that Brazil may have turned its back on more than two decades of high inflation.

"We are very pleased with the public response which has surpassed our best expectations," says Mr Fernao Bracher, governor of the central bank. "People have taken seriously the idea of zero inflation."

Whether in the corridors of ministries in Brasilia, in boardrooms in Sao Paulo or the beaches of Rio de Janeiro where even ice-cream sellers claim pegged prices, there is a palpable sense of optimism and a resurgence of nationalism. Hardly anywhere else in Latin America can one find such confidence in the future despite the continuing difficulties of coping with a foreign debt of $105bn.

The Cruzado Plan centres on the de-indexing of the economy, a temporary price freeze, raising wages and then freezing them, and a substitution for the cruzeiro of a new currency, the cruzado (1 cruzado equals 1,000 cruzeiros). It is similar to the Austral Plan introduced by President Raul Alfonsin in Argentina last June. But despite an element of cross-fertilisation, Mr Dilson Funaro, the Finance Minister, says emphatically: "It has been made by Brazilians for Brazilians."

The essential difference is one of circumstance; stabilisation is being introduced in Brazil after a year of exceptional growth and with inflation approaching 400 per cent a year. In Argentina, the Austral Plan came after more than three years of recession and with inflation soaring beyond 1,000 per cent.

The key test for the Brazilian plan will come later this month when the most organised trade union, the metalworkers, is due to hold its annual pay talks. Foreign observers believe it is too soon to share the general sense of Brazilian optimism.

Indeed, privately it is admitted that 20 per cent annual inflation would be a success. The aim is to achieve 4 per cent growth (against last year's 8.3 per cent) so that the economy is poised for a rapid take off on low inflation in 1987. In such conditions Mr Funaro sees no reason why Brazil cannot attract annually between $3bn and $4bn in foreign investment, which in turn would generate sufficient resources to accommodate debt service obligations more easily.

The government is clearly proud of the absence of the International Monetary Fund in the formulation of the Cruzado Plan. The fund's exclusion is partly for public consumption since the IMF has been kept informed (post facto) but it also reflects genuine conviction that Brazil's economic performance should be judged on its own merits. An economy of 135m persons that manages to generate the third biggest export surplus in the world of $12.5bn deserves consideration.

This is the message members of the Paris Club are expected to get later this month when preliminary talks begin on Brazil's $8bn debt with western governments. It will also be pointed out that international interest rates and the price of oil are falling. Three years ago Brazil spent over $9bn on energy imports. This year the bill will be $4bn and Brazil can afford to cut both its oil exploration and its alcohol substitute programme.

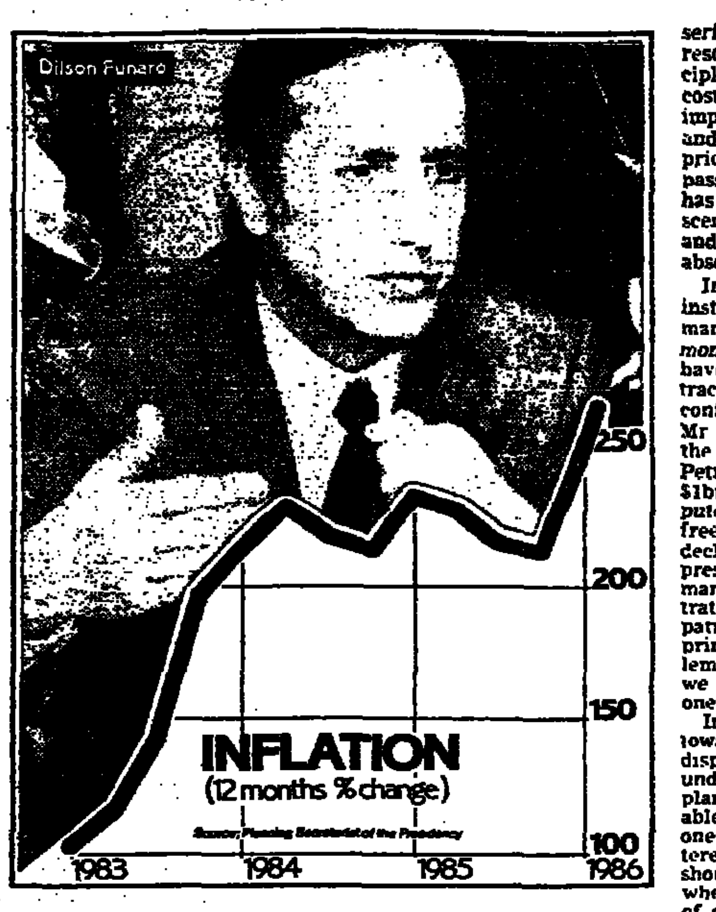
The popularity of the plan owes much to the unexpected resolve of President Sarney. Brazilians transferred their confidence to him after the tragic death of President-elect Tancredo Neves, but since taking office in March 1985 he has seemed like a lame duck. Yet almost overnight, by acting with political courage, Mr Sarney has become master in his own house.

This newly acquired authority means that Mr Sarney's centre-right faction within the main party, the PMDB is strengthened at the expense of the left. This will have significant repercussions on the November elections for the constituent assembly that will draw up a new democratic constitution.

Left-wing politicians and church activists already believe the chances of a liberal constitution have been undercut by Mr Sarney's popularity and the Cruzado Plan. According to a spokesman for the Brazilian bishops' conference, the economic measures "tend to institutionalise social injustice with income differentials untouched so that 5 per cent of the population still own 30 per cent of the gdp and 50 per cent of the population only 13 per cent."

However, Mr Joao Sayyod, the Planning Minister, argues that income distribution can only be tackled once the Cruzado Plan is in place.

President Sarney is still refusing to hold direct presidential elections along with the November assembly and state elections on the grounds that his office is constitutionally legal and that Brazil is not yet ready for a possible presidential change. The same view is shared by the military, who are playing a discreet backstage role.



A new glow of confidence

In cruder political terms Mr Sarney is out to deny the political aspirations of the charismatic left-wing governor of Rio de Janeiro, Mr Leonel Brizola, who is the most outspoken critic of the Cruzado Plan. Most analysts feel Mr Brizola has lost out by criticising the President at this juncture.

Mr Sarney has been greatly helped by his popular and trusted Finance Minister, Mr Funaro, who persuaded him that de-indexation of the economy was possible.

Mr Funaro came from the private sector where he built up a successful business in plastics and toy-making. His business knowledge has helped convince the private sector that he will respect their interests. This, too, has been a valuable attribute because the private sector remains nervous about the length of the price freeze and the Government's willingness to stand firm on trade union demands. According to Mr Funaro the price freeze is indefinite but "we want it to be as temporary as possible." He has suggested some relaxation could come next month if, as is hoped, prices prove to have fallen in March and inflation is zero for April.

The price freeze is holding with few abuses. But there are serious problems to be resolved. An unwritten principle has been established that cost increases (like inflation via imported components, credit, and improperly adjusted prices prior to February 28) are not passed on to the public. This has led to a tough behind-the-scenes battle between suppliers and manufacturers over who absorbs the cost.

In the motor industry, for instance, parts producers and manufacturers are arguing acrimoniously, and some suppliers have withheld parts. In the contracting business widespread confusion prevails. According to Mr Helio Beltrao, president of the state controlled oil concern, Petrobras, the company has $1bn worth of contracts in dispute as a result of the price freeze. Last month Mr Funaro declined to intervene when representatives of the motor manufacturers sought his arbitration. "He expects us as a patriotic duty and as a matter of principle to solve our own problems, and I guess this is what we will have to do," commented one.

In an atmosphere of mistrust towards the Government these disputes could have already undermined confidence in the plan. Furthermore it is remarkable that the banking sector, one of the most powerful interest groups in the economy, should remain publicly tranquil when it is the principal casualty of de-indexation. "A large part of bank profits arose from inflation and this has ended," says Mr Funaro. Banks relied heavily on index-linked bonds which were adjusted monthly to a consumer price index, but as a counterpart one third of the fiscal revenue of Brazil went to pay interest on these bonds.

The value of Treasury bonds with maturities of less than one year has been frozen until March 1987 and indexation abolished. Brazilian banks, overbranched and overstaffed, will have their profits squeezed. This has been reflected in bank shares. While the Rio and Sao Paulo stock exchanges have witnessed record turnovers since February 28, bank shares have fallen back between one third and a half.

The banks, though anxious about their balance sheets, are reassured by the technical detail with which the Cruzado Plan has been prepared. Measures, like fiscal reform accelerating corporate tax payments introduced in December, which seemed isolated moves now emerge as part of the grand design.

Another important element has been the curbing of the autonomy of the state-run Banco do Brasil. The latter has been denied its facility to issue credit without prior authorisation from the central bank. According to Mr Bracher, this uncontrolled credit window accounted for a "substantial" amount of the increase in Brazil's money supply.

The Government will also be able to keep better track on expenditure by the unification of its three previous budgets (monetary, federal and state-owned companies) under a newly created Secretary of the Treasury, Mr Andrea Calabi.

An integral part of forward planning has been a careful monitoring of prices in the six-month period up to the package. Having learned from Argentina's experience that it was damaging to increase prices too heavily before the freeze, the authorities did their best to avoid that.

Despite all this planning, officials freely admit they do not know if the public sector deficit will work out on target at 0.5 per cent of GDP. There will be tax gains from inflation but these could be offset by the need to pump in more subsidy to the state-run utilities whose prices, critics fear, were not properly aligned before the freeze and cannot be heavily increased too quickly after it is over. The debts of the state-run companies account for over one-third of all foreign debt.

The Government is most nervous on the wages front. Under a complex formula, wages were increased in the plan by an average of the previous six months plus 8 per cent and then frozen for a year. Under pressure from the unions and the Labour Ministry, President Sarney in mid-March conceded a form of indexation, much to the dismay of employers. Wages are now automatically adjustable to a minimum of 60 per cent of inflation. At the same time a primitive form of unemployment benefit has been introduced. Together, these two moves have undercut the trade unions, anticipating most of their potential demands in wage negotiations this year.

Concessions to the unions and the populist flavour of the Cruzado Plan contrast sharply with the conservative complexion of the President and his advisers, and Mr Sarney's populism risks pushing him into areas of reform where he has already shown himself reluctant.

Yet if the plan is successful, he will be obliged to address himself to Brazil's social inequalities. Curiously, it is the problems of success rather than those of failure which are worrying the Brazilian establishment.

Lombard

Unpopular capitalism

By Michael Prowse

Dear Rodney,

What is this fellow Nigel Lawson up to? First he said we should give shares to our employees. That was bad enough. Now he is suggesting we should spoon out the profits to them as well. I assume that as a chief executive of long-standing you take as dim a view as I of this weird new "profit-sharing" idea. If this is capitalism, I wonder whether I can continue to support it: I always thought that mass ownership of the means of production was a socialist doctrine.

Surely, the time has come to re-establish an understanding of the very distinct roles of a company's owners, managers and workers. As shareholders, the owners must, by definition, have an unassailable right to all the profits—the surplus generated after meeting all the costs of production. There can be no question of sharing the proceeds of risk-taking with anybody who is not a risk-taker. I therefore oppose profit sharing even for senior managers, who ideally should remain the salaried appointees of the owners. The notion that profits should be shared with the workers is little short of scandalous and is in any case intellectually incoherent.

Labour is a commodity like anything else and its price — the wage — is set in the market place. In any given year workers should be paid the market rate — sufficient to keep them but no more. The idea that their remuneration should depend even partially on the shareholders' profits is absurd. Should what I pay for raw materials also depend on my company's overall profitability? *Should I tell my suppliers that* market prices are irrelevant and that I will not know how much to pay for 1,000 tonnes of copper until the accountant presents the end-year results? Imagine the ensuing chaos.

Quite honestly I cannot see what meaning the term profits will retain if the cost of inputs becomes dependent on the overall return. How can the surplus be calculated if the cost of the factors depends on what the surplus turns out to be? It would be safer, surely, to stick to the age-old rule of paying the market rate for all inputs be they materials, energy or labour. It is important, after all, that those who choose to sell their labour instead of becoming entrepreneurs should be able to rely on a stable wage. It would be quite unfair if the risk-takers — the shareholders — were able to make the workers pay, through a lower "profit share," for their mistakes.

I accept that there is nothing wrong in principle with employee shareholders — anybody should be able to buy into a company. There may, however, be conflicts of interest: employee shareholders are unlikely to take a totally disinterested view of labour as a factor of production: they may be tempted to purchase too much or pay it too highly. But to give, as the Chancellor seems to suggest, workers who are owners a share of profits is far more *dangerous, if not contrary to* natural justice.

Shareholders, as owners, have the power and right to influence the size of profits (at least they would if managers like yourself Rodney did not continually usurp their position): they can veto acquisitions, sack directors and take a view about expensive investment plans. Workers have no such rights but will naturally claim them once a significant part of their remuneration becomes dependent on profits. In no time at all, in order to "supervise" the earning of profits, they will be demanding seats on the board.

The attempt to merge the roles of owners, managers and workers is bound to end in tears. It will not reduce unemployment. This occurs because employed workers already have too much power and insist on pay above market clearing levels. Giving them a share of profits will not reduce their power (it may enhance it) and will not therefore reduce either their total remuneration or unemployment. I close, Rodney, by urging you to join me in a campaign to shoot dawn these crazy proposals. Even a Labour Chancellor would think twice about wasting taxpayers' money in an attempt to dilute shareholders' rights.

Yours ever,
GEORGE

Letters to the Editor

Taking care of the tourists

From the Director General, British Tourist Authority

Sir,—I refer to your article on Sunday trading (March 29). Last year this country welcomed nearly 15m visitors from abroad, who spent £6.7bn. British people spent a similar sum on holidays and leisure trips in this country. There is now increased recognition, both of the major contribution which tourism makes to the economy and of the increasing numbers of jobs this fast-growing industry provides — 1.4m, growing at the rate of some 50,000 a year.

Worldwide competition however, to attract growing tourism is fierce, and Britain's continuing success will depend upon overseas visitors and British people on holiday here being provided with what they want at a price they are willing to pay — and when they want it. *It is, therefore,* very important that shops should be free to serve holidaymakers during the evening and on Sundays where there is a demand.

The special needs of tourists and holidaymakers were recognised as long ago as 1936 when legislation provided for Sunday trading in "resorts" for a period of 18 Sundays. This was then the extent of the season, but resort areas and seasonal flow have altered greatly (the list of items which could be sold as suitable in 1936 is inadequate now). The range of articles is totally unrealistic, for example permitting sales of postcards but forbidding sales of the Bible. Scotland has traditionally enjoyed Sunday trading at levels responding to public demand and public opinion. Surely neither resort trading nor the Scottish experience has led to the erosion of church-going or adverse change in the nature of the traditional "Sunday."

The changing nature of our tourism requires flexibility and freedom of choice on the part of the trader and the traveller. An enormous growth in self-catering means that late on Saturday evenings thousands of families arrive at the holiday *destination needing a supply* of services that night or on Sunday.

In many places the law is openly flouted since the provisions in no way respond to a genuine public demand. We *have* to bear in mind as well the requirements of our foreign paying guests, increasing in number year by year, who must be offered facilities and services equivalent to resorts in competitor countries.

Millions of British visitors go to Continental resorts. Thousands go for weekend shopping trips, spending money on importing foreign goods and services. Free trade is welcome but we are foolish indeed if we do not try to attract, as we could, thousands of foreign visitors to our resorts to go "weekend" shopping for British goods, which we know from experience are very competitive.

To build on the success already achieved by our tourism industry and to meet international competition in the years ahead, we believe that the industry should be freed from outdated restrictions and allowed to respond to the leisure needs of today.

L. J. Lickorish,
24 Grosvenor Gardens SW1

Living over the shop

From Lord St Oswald

Sir,—I refer to the article by Colin Amery (March 29), headed "Heritage — spring clean."

However much research Mr Amery carried out before writing this article there is one paragraph in which he makes a completely unsubstantiated statement regarding succeeding generations *remaining in houses* which the family has previously gifted to the National Trust.

I can assure Mr Amery that it is not the policy, and I am sure never will be, of the Trust to "encourage the occupants of those remaining in family wings to face *life in the real world.*" It is not clear at all what is meant by the words "to face life in the real world" but possibly it is an *inference* that the families are living on NT charity. Nothing could be further from the truth.

When a family presents its home (and sometimes also the works of art contained within it) to the NT a large sum of money is also given as an endowment to maintain the gift in the years to come. The NT *makes it quite* clear that should the endowment at any time produce insufficient revenue to support the house it would be under no obligation to find the shortfall. When such a situation occurs it is therefore up to the family to produce more endowment money or to back out and allow whatever consequences might follow.

Families constitute as much a part of the history of such houses as the building and the contents themselves, since with*out the family* influence none of them would have existed. In general far more interest is shown by visitors to a house that is lived in than if it was nothing more than a museum.

Supposing the Trust were to adopt the policy, which Mr Amery would appear to be advocating, of "Bleed them dry and then get rid of them" it could happen that the worst sufferer would be the British Heritage. Whatever options a prospective donor would be faced with, the one that might *be most acceptable would* be to sell to the highest bidder and get out, because in two or three generations the family would no longer be in residence anyway.

These are reasons enough for allowing families to remain in residence as long as they might wish to do so and the NT is an organisation that respects and honours its obligations to those who have made the gifts. Why should a succeeding generation be encouraged to leave?

St Oswald.
Nostell Priory,
Wakefield

Pension fund surpluses

From Mr K. Jecks

Sir,—I was interested to read Mr Wallace's comments (March 26) on the Chancellor's statement about pension fund surpluses and although I agree with many of his views, some clarification is required.

The Chancellor's statement was imprecise since although a method of valuing the liabilities was outlined, the method to be used in valuing assets was not. Mr Wallace appears to have assumed that assets will *be taken at market value,* which would certainly cause severe difficulties as these fluctuate. In practice, most actuaries recognise this and value assets on a basis consistent with the liability valuation. This results in a much less volatile progression of surplus from valuation to valuation. It is essential that the regulations stipulate an asset valuation method that recognises this potential difficulty.

The Occupational Pensions Board's principal concern is really to ensure only that the guaranteed minimum pension benefits of contracted-out plans are adequately secured, whereas the Superannuation Funds Office will be attempting to limit the level of overfunding of total benefits (and at present, although a ratio of 105 per cent has been stated, precisely what this means remains unclear). GMP benefits commonly account for around one-half of the total accrued liabilities of contracted-out plans, so the problem of their opposing roles is not necessarily as severe as Mr Wallace fears.

Indeed, the objectives of the SFO and OPB have always been essentially contradictory and to that extent little has really changed. The Budget statement at last clarifies the until now unpublished rules to be followed by the SFO, and will probably cause plan sponsors to exercise closer control over their contributions. I believe this to be a good thing and broadly welcome the overall thrust of the changes.

Keith M. Jecks,
Reeves Brown Associates,
Prince Consort House,
Albert Embankment, SE1.

EEC milk scheme

From the President, Country Landowners Association.

Sir,—Having read your article (April 2) on the division between landlords and tenants of payments made under the EEC's proposed milk outgoers scheme, I would like to make this association's position quite clear.

We certainly do not wish to hold up the outgoers scheme. Far from it. It is essential that overproduction is curbed, and it must be best for the industry that reduction in output is achieved by voluntary means.

But to divide interest in milk quotas between landlord and tenant on the basis of a simple percentage split fails to recognise the basis of valuation which normally applies to landlord and tenant matters. I believe that agreement should be *reached* between ourselves and the National Farmers' Union on the basis of valuation, and I am sure that it can.

The fair dvision is the one which recognises the loss to each party which results from relinquishing quota and increasing production.

The discussions between CLA and NFU have concentrated on the separate question of compensation to the tenant at the end of a tenancy. They take place against the background *of EEC legislation which* ties quota to the land. There are four sets of interests to be considered here—the interests of the landlord, of the existing tenant, of the incoming tenant and of the future of the landlord/tenant system. The subject has been and remains under intense examination and I am perfectly satisfied in my own mind that the line I have been taking on behalf of the CLA is founded on clear principles and would do justice to all the *interests identified above.*

John Norris,
16, Belgrave Square, SW1.

FINANCIAL TIMES

Monday April 7 1986

Terry Byland on Wall Street

After the peak, a nasty fall

NO SOONER had the 1986 first quarter been enshrined in Wall Street's hall of fame than the market fell precipitously, suffering its largest weekly percentage drop for the past six years. Friday's Dow Jones industrial average closing level of 1,739 takes the stock market back to early March.

Since the market is already biting into its superlative first-quarter gains, which put 13 per cent on the most favoured sectors, it may have to look to new areas for leadership in the next three months.

If it was the "lower oil prices – lower interest rates" axis that boosted stocks between January and March, then it has to be said that the interest rate side of the equation dominated. Statistics compiled by Standard & Poor's research department indicate that the prizes for the first quarter went chiefly to stocks directly in line for interest rate benefits, with the manufacturing sector left well down the field.

Best of all were stocks linked to housebuilding, which boomed as mortgage rates fell. Housebuilding stocks themselves gained 51 per cent, easily topping the list of first-quarter winners. Stocks in thrift companies, which finance the building boom, jumped by 38 per cent. Also prominent were stocks in industries loosely connected with new homebuilders, like building materials (up 31 per cent), household furnishings (up 29.7 per cent), and related retailers (also up 29.7 per cent).

Less easy to explain in terms of suburban virtue or lower interest

INDEX	% change, year to March 31
SP 500	+13.1
SP 400	+12.3
SP 40 financials	+20.6

rates was the 33 per cent gain in leisure industry stocks. The statistics include a bout of speculative fever in the television industry and the increasing success of downmarket gambling casinos.

But, with the exception of the Detroit motor issues, US manufacturing stocks did not shine in the first quarter. Only machine tools, which gained 30 per cent as orders began to pull out of the trough, featured among the winners.

Basic heavy industry and high-technology stocks lagged behind the market, in fact. Among the worst performing groups, setbacks of 40 per cent in offshore drilling stocks, 13 per cent apiece in domestic oil and oil well equipment groups came as no surprise in view of the massive slide in oil prices. But computer and business equipment stocks edged up by only 1 per cent. Wall Street's concern about increasing competition in the computer market has marked IBM as a weak factor in the stock market over the past six weeks.

Across the wider range of high-technology and communication issues, losses have ranged to around 8 or 9 per cent. Lower oil costs have less immediate impact here, whereas competitive pricing continues to trim profit margins. Also lagging behind were steel stocks, which edged up by a mere 2 per cent as the industry continued to struggle with long-term problems of shrinking markets and foreign competition.

The sluggishness of manufacturing stocks to respond to the cost benefits of lower oil prices looks particularly uncomfortable after last week's performance. The mere hint from Vice President George Bush that the US might favour a stabilisation of oil prices was enough to upset both the bond and stock markets – until the White House took Mr Bush's foot out of his mouth for him.

As the second quarter of 1986 gets under way, Wall Street is taking a second look at the oil price-interest rate equation. Speculation on interest rates has switched to the short end of the market, where hopes of another cut in the discount rate have resurfaced. This might keep housebuilding and thrift stocks on the boil without improving prospects for manufacturing. The market is moving cautiously into the quarterly profit reporting season. Forecasts of an overall rise of 5 per cent in first-quarter profits, and, perhaps, 20 per cent for fiscal 1986, are not very different from predictions made six months ago. On this basis, manufacturing stocks are unlikely to take over the lead in the market.

At the end of the first quarter, Wall Street's view seems to be that the credit industry is already benefiting from lower interest rates while manufacturing industry has yet to show its benefits from lower oil prices.

Launch date for new BL executive car delayed

BY ARTHUR SMITH IN BIRMINGHAM

AUSTIN ROVER, BL's volume-car company, has again delayed the internal target date for launch of its much heralded Rover XX executive saloon developed with Honda of Japan.

Marketing of the car, seen as vital to the future profitability of the state-owned concern, has also been dealt a blow by engineering problems with the economy fuel-injection version of its new M16 2-litre engine.

Austin Rover could have led European assemblers in introducing the single-point injection concept – a system offering fuel economy at lower engine cost. Failure to achieve expected cost savings means Austin Rover will offer the more sophisticated, but commonplace, multi-point system.

Austin Rover's decision to put back the target launch of the new car by three weeks from June 24 to July 15 is unlikely to cause much surprise among components suppliers. Delays in receiving engineering drawings caused widespread scepticism about the earlier launch date.

Dealers are likely to be anxious to have adequate stocks to take advantage of the key August month when the beginning of 1986-87 registration boosts sales. "Above all my concern is that Austin Rover gets the quality right from day one," a leading dealer said last night.

The UK launch of the XX, originally scheduled for last autumn, had to be delayed initially for more than six months because of problems with the Honda V6 engine which powers the top-of-the-range model. Testing of the engine revealed faults which required a new configuration and the consequent redesign of the front end of the car.

Honda showed its version of the XX joint car in Japan at the Tokyo Motor Show last November and last week began selling the model in the important US market under the Legend marque. Austin Rover, which sees the XX as the key to breaking into the US, expects to enter competition with its Sterling model by the end of the year.

Collaborative ventures with Honda have assumed a new importance now that the UK Government has ruled out any merger of the state-owned company with Ford of Europe. Austin Rover, which suffered a trading loss approaching £10m ($14.2m) last year, and seems set to dip into the red again this year, is an unlikely candidate for early privatisation.

An announcement seems imminent that Austin Rover will start assembly of the Honda Ballade on a sub-contract basis at its Longbridge plant in Birmingham. Production of the Ballade, the Honda equivalent of the present Longbridge-built Rover 200 series, will run initially from November at only about 4,000 units a year.

There is scope within the BL corporate plan for Honda sub-contract assembly to rise to up to 100,000 vehicles a year by the early 1990s. The deal offers Austin Rover the opportunity to obtain much needed volume on its under-utilised production line.

Whether such targets are achieved will depend on the Longbridge pilot scheme. Whether capacity is used in Birmingham or at the Cowley assembly plant at Oxford will depend on the Honda models to be assembled.

IEA talks to discuss minimum oil price safeguard

By Dominic Lawson in London

SENIOR GOVERNMENT officials from the 22 member countries of the International Energy Agency are to meet in Paris on Thursday to pool their views on the collapse in oil prices from $30 last November to about $10 a barrel, the lowest for 13 years.

IEA discussions for years have centred on the need to avoid sharp rises in the oil price, but this week's debate could cast the spotlight on the almost forgotten IEA "minimum safeguard price" of $7 a barrel.

This rule, passed in January 1976 at the instigation of the US, is designed "to ensure that imported oil is not sold in the domestic markets (of IEA members) below a price corresponding to $7 a barrel." Member countries were given a free hand in the kind of tariff used to prevent a lower selling price.

At the time some IEA members felt that the minimum price safeguard helped the US protect its own oil industry which faces very high costs of extraction in many of its depleted fields and also in Alaska.

Remarks by US Vice-President, Mr George Bush, and Mr John Herrington, Energy Secretary, last week reawakened the suspicion that the US is prepared to defend its high-cost oil producers which it believes are essential to its national security.

However, an IEA spokesman said last week: "Officially our policy remains non-interventionist. A triggering of the $7 minimum safeguard price provision is not politically on the cards at the moment."

But Japan, the world's biggest net oil importer and a leading member of the IEA, is beginning to be uneasy about the extent of the fall in oil prices which it fears could lead to a damaging sharp rise in the next decade as the search for new oil is reduced.

Last month Mr Michio Watanabe, Japanese Minister for International Trade and Industry (MITI), called for a conference of energy ministers to find ways of stabilising the oil price.

Editorial comment, Page 16

Reagan officials link Gadaffi with Berlin nightclub bombing

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE REAGAN Administration is linking Colonel Muammer Gadaffi, the Libyan leader, to the Berlin nightclub bombing in which two people, including an American soldier, were killed and more than 150 wounded early on Saturday. US officials admit, however, that they have no hard evidence to implicate Col Gadaffi directly in the attack.

A senior Administration official said at the weekend the latest incident fitted "a pattern of indiscriminate violence" against Americans by Col Gadaffi and seemed to be part of a Libyan "master plan" for terrorist attacks.

The Administration's accusation against Col Gadaffi caused speculation in Washington that it might be preparing American and international opinion for tough US military retaliation against Libya. "Clearly our patience is wearing thin," said one senior official when asked if the US would retaliate.

Mr Robert Oakley, head of the State Department's counter-terrorist unit, said yesterday, however, that the US would not necessarily retaliate against Libya for the Berlin bombing. The response to each incident would be judged on a case-by-case basis, he said.

It is no secret that the Administration has contingency plans for bombing attacks on Libya, with targets ranging from supposed terrorist training camps to oil installations. The air strikes would be launched if hard evidence was found linking Col Gadaffi to specific terrorist attacks.

US officials said Col Gadaffi had singled out 30 US installations abroad, as well as individual diplomats, as possible terrorist targets. A report yesterday suggested that the Berlin nightclub had been one such target.

One US counter-terrorist expert said there was strong circumstantial evidence linking Libya to the Berlin bombing. However, Mr Oakley said that so far there was no conclusive evidence linking the Berlin incident with last week's bomb explosion on a TWA airliner between Rome and Athens, which killed four Americans.

The Administration said it regarded Col Gadaffi as being at the centre of the pattern of recent terrorist outrages in Europe and the Middle East because he was training and exporting terrorists and "creating the climate where other acts of terrorism are spawned."

Background, Page 2

THE LEX COLUMN

Currencies on the starting grid

Despite a fair amount of wrangling the weekend's realignment of the EMS has turned out very much the result it was supposed to.

Without the panic of 1983, when hopeless attempts to stave off the evil day exacerbated speculation against the French franc and brought about overnight Eurofranc rates of 3,000 per cent, the French and West German governments have again accepted the need to make room for France's accumulated relative inflation.

Friday's suspension of the adjustment mechanism hardly amounted to a market resolution of divergent claims – the markets were too narrow for that and the spreads too wide. But it has provided room for the D-Mark to be revalued by 3 per cent within the system without asking the markets also to revalue it against the dollar.

With the 3 per cent drop accorded to the franc, that provides the new French administration with the required deck-clearance.

Although it may be a slight strain on the guilder to be coupled with the D-Mark on this occasion, gas revenues not being what they were, the Belgian and Danish currencies should ride reasonably well on their slight effective devaluation.

At current low inflation rates the idea of economic convergence looks more credible than for most of the system's existence, even if the external influence of declining oil prices since the last realignment has had quite a lot to do with it.

If future divergences are to be largely a matter of differential labour costs the UK Treasury may well feel that the EMS is a fruit that can never be plucked.

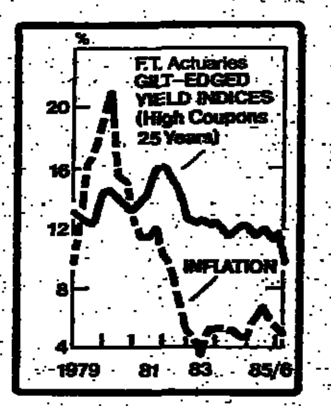
For so long considered unripe, because of oil, sterling membership of the adjustment mechanism may now be left to wither for fear of UK wage inflation.

Gilt-edged values

Only rarely is there a fundamental adjustment to the way a stock market is valued. When it does happen it takes time and is not generally recognised until well afterwards.

The reverse yield gap, born from the cult of the equity, was the result of just such a shift. For years it was seen as unnatural, but has persisted ever since, is now regarded as logical, and is often referred to as *the* yield gap pure and simple.

A suggestion that such a sea-change is taking place now in the



gilt-edged market must therefore be speculation. But after last week's dip in long-dated gilt-edged yields below 9 per cent for the first time since 1972, it is worth considering.

It took the gilt-edged market some years in the early 1970s to come to the conclusion that high inflation was there to stay, after the long stretch in the 1950s and 1960s when annual consumer price rises averaged under 5 per cent.

Gilt-edged stocks, like equities, did not reach their low point until the end of 1974. Similarly the market has been slow to adjust to the lower levels of inflation in the last three years, opening up a high real yield on gilt-edged stocks.

The question is not why yields have fallen so far, but why they are still so high. One explanation is that stockbrokers' economists generally had a poorer track record than the Treasury at forecasting inflation. Disbelieving the Treasury's low forecasts investors demanded a higher yield from the gilt-edged market than has been required historically.

When the Treasury's forecasts were vindicated – however fortuitously – another line of reasoning appeared to justify high gilt-edged yields. Just as in the 1970s high inflation was thought to be an aberration, now low inflation could be transitory too. A risk premium has been added into the equation which defines what gilt-edged stocks should yield.

Since economists are mostly happy to go along with budget forecasts of inflation of 3½ per cent by the end of 1986 and the real yield on the longest dated index-linked stocks is 3¾ per cent, that risk premium looks like 2 per cent. Few believe that inflation will not rise again.

But there are a few grounds for hoping it will not. It may be coincidental that the oil price which played a large part in the inflation of the 1970s is now a major factor in its reverse. Falls in other commodity prices and in interest rates have also contributed to the fall in inflation. But most economists are now looking for an upturn in UK inflation once more in 1987, fuelled by wage rises. Thereafter the uncertainties are political as the next general election looms. The psychology of high inflation is hard to break.

Even if high inflation has been conquered the world has changed for gilt-edged since the early 1970s. Now assets must compete internationally for investors' money, and gilt-edged returns must be compared to US and other bond yields. Lower interest rates and inflation around the world have pushed bond markets upwards, including the gilt-edged market.

But the UK has yet to shed its pre-Thatcher international reputation as a high inflation economy, and a revival of the oil price would also reawaken overseas fears of the petro-currency element in a sterling investment: these are risks for which international bond investors quite reasonably require premium rewards.

New York v London

Not even a merger a minute can keep a bull market going if the sands begin to run out. Wall Street has been less frantic an arena for takeover activity for some time, and last week it seemed to have begun worrying – along with Vice President Bush – about the less attractive consequences of cheap oil. Unlike Mr Bush, the London equity market does not have to worry about raising campaign funds in Texas, but it does need to think about the soundness of the earnings outlook that it is discounting.

Takeovers really do not make much difference to that calculation, whether it is the ownership of Woolworths or the Standard Chartered Bank that is in question. The arbitrage merchants have clearly got their teeth into Standard and may well prevent control changing hands at much under £10 a share – whether to Lloyds Bank, BAT Industries, or some still less plausible latecomer. But that does not disguise the fact that Wall Street and London are once again seeing things differently, and London is where the optimism is flowing.

EEC to back $12bn boost to IDA fund

BY PAUL CHEESERIGHT IN OOTMARSUM

THE European Community is prepared to support international moves to replenish the funds of the International Development Agency, the soft loan associate of the World Bank, by $12bn.

Finance ministers decided at the weekend on a common position for a series of meetings to be held in Washington this week of the International Monetary Fund's interim and development committees.

"I am fairly sure that the Community will be able to support under certain conditions a $12bn IDA. The European attitude in general is very constructive and forthcoming" said Dr. Onno Ruding, the Dutch Finance Minister and chairman of the weekend's discussions.

In an obvious reference to past US reluctance to agree this level of financing, Dr Ruding added: "If the IDA does not succeed – if replenishment proves to be insufficient – one cannot blame Europeans but the others."

The seventh phase of the IDA, soon to expire, attracted funds of $9bn from the industrialised countries, with the US refusing to accept the general view that $12bn would be more appropriate. But in preliminary talks for the eighth phase there is again a movement towards a replenishment of $12bn.

UK warns loyalists on Ulster violence

BY OUR BELFAST CORRESPONDENT

MR TOM KING, the British Government's Northern Ireland Secretary, yesterday warned militant loyalists that the Government would not give in to the growing wave of violence against the Anglo-Irish agreement which aims to give the Irish Government a say in the affairs of the north.

His comments follow a weekend of attacks on the homes of Royal Ulster Constabulary officers, rioting in Protestant districts of Belfast and loyalist violence against Roman Catholics.

The RUC yesterday raided the east Belfast headquarters of the paramilitary Ulster Defence Association and seized documents and computer tapes. The operation is connected with investigations into the intimidation of police officers.

There were a further 16 attacks on the homes of RUC men on Saturday night and two houses were gutted after petrol bombs were thrown. The police said there had been more than 100 such attacks in the past month.

Mr King said the RUC was under a strain which he thought was "totally intolerable." He again appealed to unionists to discuss with the Government their concerns about the Anglo-Irish accord, in order to avert "a dangerous situation which men of violence will exploit."

He said: "The most irresponsible thing we could do would be to give in to violence. That would do no service to unionists or nationalists."

With Northern Ireland's "marching season" under way, Mr King hoped it would not be necessary to increase the British army strength in the province beyond the present 10,500.

It might be necessary for troops already in Ulster to support the RUC in dealing with loyalist parades, but he hoped the army would not have to be diverted "in a serious way" from its work of combating terrorists.

Mr King said the Government would not suspend the Anglo-Irish agreement – an essential precondition insisted upon by unionists before resuming talks with the Government.

Paris aims to cut deficit

Continued from Page 1

ters are in future to be allowed to repatriate their foreign exchange earnings freely, and French companies will also be free to invest and borrow abroad.

At the same time forward cover for importers is to be re-established, with companies allowed to cover foreign exchange purchases three months in advance.

With the aim of boosting confidence in the franc and encouraging French residents to bring home capital, the Government broadly hinted that a tax amnesty would be announced soon.

On price controls, the Government similarly stepped back from total abolition. But it said that companies' freedom to set their own prices would be "the rule."

In an effort to hold down inflation, Mr Balladur declared that France's 4½m public employees – including teachers and civil servants – would get no further wage increases this year. As a result of increases already in the pipeline, salary costs in the public sector are already due to rise by 2.7 per cent this year.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	17	63	Dubrovnik	S	20	68	Malta	S	21	70	Rhodes	S	24	75
Algiers	S	19	66	Edinburgh	S	5	41	Manchester	F	6	43	Rio de J'o	S	36	97
Amsterdam	S	8	46	Faro	F	16	61	Manila	—	—	—	Rome	S	17	63
Athens	S	25	77	Florence	F	18	64	Melbourne	C	16	61	Salzburg	C	6	43
Bahrain	S	25	77	Frankfurt	F	7	45	Mexico City	F	26	79	San Francisco	F	11	52
Bangkok	R	29	84	Funchal	C	17	63	Miami	S	21	70	Seoul	S	10	50
Barcelona	—	—	—	Geneva	C	4	39	Milan	C	14	57	Singapore	F	31	88
Beirut	F	19	66	Gibraltar	R	14	57	Montreal	C	3	37	Stockholm	C	1	34
Belfast	F	7	45	Glasgow	S	7	45	Moscow	C	5	41	Strasbourg	C	7	45
Belgrade	S	25	77	Guernsey	S	5	41	Munich	C	4	39	Sydney	S	20	68
Berlin	C	6	43	Helsinki	C	5	41	Nairobi	C	27	81	Taipei	C	22	72
Biarritz	R	5	41	H. Kong	F	24	75	Naples	F	22	72	Tangier	R	13	55
Bombay	S	32	90	Innsbruck	F	7	45	Nassau	F	25	77	Tel Aviv	S	29	84
Bordeaux	C	7	45	Inverness	C	5	41	New Delhi	S	30	86	Tenerife	C	19	66
Brussels	F	7	45	Islamabad	S	29	85	New York	R	4	39	Tokyo	C	18	64
Budapest	S	21	70	Istanbul	F	13	55	Nice	R	15	59	Toronto	Fg	5	41
B Aires	S	25	77	Jakarta	C	32	90	Nicosia	S	25	77	Tunis	S	25	77
Cairo	S	29	84	Jersey	S	7	45	Oporto	C	12	54	Valencia	R	12	54
Cape Town	S	25	77	Jo'burg	F	25	77	Oslo	F	4	39	Venice	F	15	59
Caracas	S	31	88	Lima	F	24	74	Paris	C	5	41	Vienna	C	10	50
Casablanca	C	17	63	Lisbon	F	15	59	Peking	S	22	72	Warsaw	C	7	45
Chicago	F	8	46	London	C	5	41	Prague	C	4	39	Washington	—	—	—
Cologne	C	6	43	Los Angeles	C	12	54	Reykjavik	C	6	43	Zurich	C	4	39
Copenhagen	C	5	41	Luxembourg	C	3	37								
Corfu	S	21	70	Madrid	R	6	43								
Dallas	F	18	64	Majorca	C	19	66								
Dublin	C	5	41	Malaga	—	—	—								

Readings at mid-day yesterday.
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

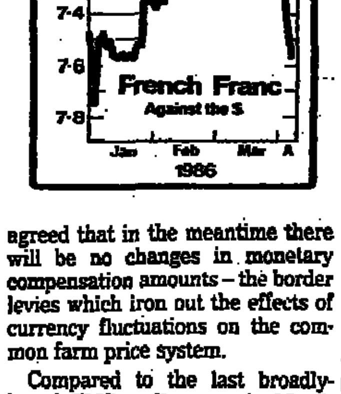
EMS realignment

Continued from Page 1

the Dutch Finance Minister, saw the agreement as "a helpful element in the process" of cutting interest rates while Mr John Bruton, the Irish Minister, believed it would help Irish rates downward.

One aspect of the agreement which will be receiving key attention in national capitals today will be its implications for the EEC's farm price negotiations. Paris and Bonn are both looking for price rises rather than the price cuts proposed by the European Commission. The D-Mark revaluation could amount to price reductions to German farmers of 3 per cent or more and the Bonn Government may well look to national measures to help offset this if it cannot negotiate genuine price rises in Brussels.

By contrast, the franc devaluation could help Paris to accept a more austere EEC price package because it should eventually deliver a modest price rise to French farmers. The final impact of the realignment will be applied with a final price agreement and it has been



agreed that in the meantime there will be no changes in monetary compensation amounts – the border levies which iron out the effects of currency fluctuations on the common farm price system.

Compared to the last broadly-based EMS realignment in March 1983, the weekend negotiations in Ootmarsum were relatively tranquil.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday April 7 1986

INTERNATIONAL BONDS

Stormy US sparks search for calmer waters

BY ALEXANDER NICOLL IN LONDON

THAT bucking bronco, the US Treasury bond market, last week sent the Eurobond community scurrying for tamer rides. Bonds were issued in an extraordinarily diverse range of currencies. Even so some found unexpected excitement on Friday as the weekend meeting on the European Monetary System was announced.

Over Easter it had seemed that a surfeit of issues in the US domestic market could create borrowing opportunities in the Eurodollar market. After a period of wide spreads between the two markets as interest rates fell a more normal relationship appeared to be emerging.

But such illusions were soon shattered. Again the US market reared up and again the gap widened between it and its unhappy rider. As New York bobbed wildly up and, just as dramatically down, mainly under the influence of oil prices, so the Eurodollar market's discomfort continued.

There was the usual crop of brave issuers. But most did not fare well. Union Pacific, Schering Plough and Nippon Kokan were still suffering as the week ended and some oil-related corporate issues from previous weeks were also looking sick.

One argument being expressed was that the near-term poor performance of new Eurodollar straights was irrelevant. What mattered was that, despite all the static, there was still wide and deeply felt optimism that interest rates would continue to fall. Federal Reserve data last week were seen as showing the central bank's accommodating posture. In these circumstances issuing houses could afford to take paper on to their books for a while and wait for the rising tide to float them.

"I don't think that people are doing issues that can't be justified," was one prominent syndicate manager's view.

Others may not doubt the overall trend, but they question the timing of the next rate drop. Moreover, they detect very little underlying demand at present for dollar debt.

There are exceptions. Mitsubishi's $400m issue, with warrants which will still have value if the share price falls, was warmly received although some found it difficult to price the "option on an option." The Tokyo stock market's shake-out, made the idea look even more attractive, and the concept, which originated with the Chugoku Marine Paints placement in Switzerland, is expected to be copied soon by Kao, the soap concern in West Germany.

Campbell Soup's $100m deal, launched late on Friday at a net spread of 36 basis points over Treasuries, quickly ran into flak. Despite its red-hot name, the issue is for a difficult 12-year maturity and is callable after seven. But one banker mused that "there was a time when the issue would have been launched at or even below Treasuries, so at least some reality is creeping in."

With the dollar sector so tricky but the overall mood still buoyant, it was not surprising to see so many other currency sectors being tapped. Tasty morsels were served: Rabobank in Ecus, Sweden in Danish crowns, the World Bank in guilders, and some strong names in D-Marks. But elsewhere there were signs of surfeit: too many over-aggressive issues in sterling, suggestions of reduced investor demand in yen, and slight indigestion after a flurry of deals in Swiss francs.

Looking healthiest at the end of the week was the French franc sector. It had been resilient before the parliamentary elections, and strong afterwards on the firm expectation that interest rates would fall. Friday's news indicating an imminent devaluation of the franc set off a new round of buying by French investors expecting that the stage would be set for a package of economic measures including interest rate cuts.

Foreign investors have naturally been more wary because of the exchange rate risk. But on Friday there was active buying of Euro-issues with pay dates after the weekend, such as the recent Trusthouse Forte issue and last week's deal for Caisse Nationale des Telecommunications.

The latter deal had its own attractions, as a floating rate note with a full-year initial coupon of 8.56 per cent, and the opportunity to lock into a fixed 8⅛ per cent coupon if by the end of the first year, rates have dropped below this level or look like doing so. Though it was the sector's first FRN, it was being valued as one-year fixed rate paper with a non-detachable warrant.

Though Friday's EMS reshuffle news effectively closed down the secondary market in Ecu bonds, the general feeling was that an orderly realignment would not damage the market. Interest rates in the largest components, such as the D-Mark and sterling, did not seem set to rise, while falls in rates on others, such as the French franc and lira, would help Ecu rates to edge lower.

Rounding off the week was renewed activity in the Canadian and Australasian currencies. The Canadian dollar sector, which is subject to highly selective investor demand, saw maturities extended to 20 years in line with the lengthening in other sectors. Coupons on Australian dollars are edging lower, while the 18¼ per cent available in New Zealand dollars must be mouth-watering to those who can forget past excesses.

EURONOTES AND CREDITS

Hungary shakes up syndicated market with $275m deal

BY PETER MONTAGNON IN LONDON

HUNGARY is back in the Eurocredit market with a $275m, eight-year credit, its first ever to include a margin of just ¼ per cent as part of the terms.

The deal was launched on Friday through a group of six banks – Citicorp, Deutsche, First Chicago, National Westminster, Industrial Bank of Japan and Sumitomo. Repayments will start after a grace period of five years and interest will be charged at a margin of ¼ per cent for the first two years, rising to ⅜ per cent over London Eurocurrency deposit rates thereafter.

Typically, it is thus an Eastern European borrower which has managed to shake the syndicated loan market out of its recent torpor. Equally typically the terms are very fine, pared to the bone as always with a conventional syndicated loan on the assumption that banks are hungry for assets and will buy almost anything at almost any price.

This time round, however, things may not be so easy. With $8bn of foreign debt, Hungary has been an active borrower in recent years. Last year, according to the Organisation for Economic Co-operation and Development (OECD), it raised nearly $1.6bn abroad, and some banks say the space on their balance sheets for fresh Hungarian loans is now limited.

Against this, however, is the factor that Hungary has also been prepaying older, more expensive debt. Last year prepayments totalled $450m and this year they should be at least $250m. This might ease some of the congestion on balance sheets and help the loan to fly, especially since the lead group is broadly based geographically and consists of banks with a high profile in their respective markets. Hungary has also recently been able to place its Euronotes at fine rates of around Libor plus 8 basis points, which suggests there are pockets of demand for its paper.

Hungary will not be the only Comecon borrower to raise money over the next few weeks. Despite its declared intention to cut imports – and by implication also its borrowing – as a result of the falling oil price, the Soviet Foreign Trade Bank is also widely believed to be mulling a sizeable operation. One possibility is that it will opt for a larger and more public Eurocredit operation than those seen in the past, though other mechanisms, possibly involving the securities market, are also believed to be under study.

In general there are signs that business in the Eurocredit and Euronote market may now be picking up after an exceptionally quiet period in the run-up to Easter. Among deals now looming are credits for the Spanish electric utility Iberduero as well as both Greece and Ireland, whose Telecommunications authority put its toe in the water last week for a $100m, five-year, five-month deal led by Citicorp with a facility fee of five basis points and a fully drawn cost of ⅟₁₆ per cent over Libor.

Bankers say they expect Ireland's deal, which will probably be for around $300m, to carry exceptionally aggressive terms. Though it was once a heavy international borrower, it now taps the market rather rarely. The fall in the oil price and lower international interest rates should also help its balance of payments and put its external finances on a much stronger footing.

Elsewhere Jaguar has followed up its recent £100m facility with the launch of a $150m Eurocommercial paper programme for which Citicorp and Credit Suisse First Boston have been appointed dealers. The launch of the programme on the heels of its facility underlines the growing trend towards the separation of paper issues and the arrangement of back-up facilities.

Postipankki of Finland has arranged a $500m Eurocommercia paper facility through Merril Lynch Capital Markets. Other dealers will be Bankers Trust, Goldman Sachs, Swiss Bank Corporation and Postipankki itself.

Gulf International Bank has arranged a $250m Eurocommercial paper programme, issuable in dollars or Ecus. The programme, which is claimed to be the first launched for a Middle Eastern borrower, was arranged by Citicorp.

Citicorp is also arranging a $100m, five-year loan facility for Ferruzzi of Italy which on Friday dropped its plans to take over S. W. Berisford of the UK. Proceeds of the deal will be for general corporate purposes. It carries an annual fee of 5 basis points and a margin on drawings of up to 15 points depending on how much is used.

Reported to be moving slowly is a $500m, eight-year credit for the Sultanate of Oman which carries a margin of ⅜ points over Libor. Several potential lenders are said to be baulking at underwriting a chunk as large as $50m.

Demerger offer for Extel proposes UK debt-rating agency

BY OUR EUROMARKETS STAFF

THE sterling-denominated commercial paper market, yet to be created but already the object of recent discussions between banks and the UK authorities, is likely to be the initial target of a British debt-rating agency, plans for which were announced on Friday.

Agreement to set up such an agency was revealed in a revised offer by Demerger Corporation for Extel, the UK business and sporting information group. Demerger was set up to take over and break up Extel which opposes the bid.

Should the bid succeed, a rating service will be set up jointly with Euromoney Publications, publishers of Euromoney magazine and other specialised business information. Euromoney also operates computerised databases serving the international capital markets.

Mr Padraic Fallon, Euromoney's managing director, said the company had been approached by banks which felt a British rating agency would aid the liquidity of a sterling commercial paper market, should the UK Government permit such paper to be issued. "We have been looking for a partner who would help us on the analytical side," Mr Fallon said.

The world's largest rating services, Standard & Poors and Moody's Investor Services, are also expected to be keen to participate in the new UK market.

Demerger's agreement with Euromoney also envisages the rating of Eurobonds, UK corporate bonds and Eurocommercial paper and co-operation on the expansion of Euromoney's computer databanks.

British banks were disappointed that last month's budget did not include the announcement which some had expected that the bar on commercial paper, forbidden under the Banking Act, would be lifted. They have been preparing extensively to attract UK corporate borrowers into the market, though doubts remain about its likely competitiveness in view of companies' existing use of the cheap acceptances market.

The final decision is thought now to rest with the Treasury, with the Bank of England remaining neutral protected. A rating agency would be seen as assisting such protection, especially as commercial paper typically attracts corporate investors seeking a home for short-term surplus funds, who would rely on independent ratings.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	3,529.6	63.0	8.0	78.2
Prev	6,239.9	0.4	281.3	328.5
Other	2,346.0	0.0	305.5	160.5
Prev	2,214.9	0.2	224.7	128.9
Secondary Market				
US$	21,936.3	1,078.4	6,952.0	2,184.5
Prev	21,578.0	1,262.4	10,672.5	3,208.2
Other	8,062.1	168.0	1,154.4	3,268.9
Prev	14,382.2	188.9	1,986.5	3,325.5
	Cedel	Euroclear	Total	
US$	10,632.6	24,401.2	35,234.0	
Prev	16,047.8	37,610.5	53,858.3	
Other	7,438.4	8,016.0	15,454.4	
Prev	11,856.3	10,595.6	22,451.8	

Week to April 4 1986 Source AIBD

Alitalia profits rise to L48bn

ALITALIA, the Italian state-controlled airline, more than doubled its net profits last year from L21bn ($13m) in 1984 to L48bn in 1985, writes James Buxton in Rome.

Revenues rose 15.6 per cent from L2914bn in 1984 to L3369bn last year. Gross profits rose from L122bn in 1984 to L277bn in 1985.

The airline last year reduced medium and long-term debt from L1073bn at the end of 1984 to L923bn at the end of last year.

US MONEY AND CREDIT

Oil price swings determine investor mood

US BOND prices fluctuated wildly in volatile trading last week as nervous investors *reacted to oil price swings. They* cast aside further signs of US economic weakness and a marked decline in short-term interest rates, spurred in part by continued discount rate cut speculation.

The 30-year Treasury long bond price soared last Monday as crude oil prices pierced the $10 a barrel level, helped on their way by forecasts that crude prices could fall as low as $5 a barrel if Opec does not manage to agree on production cuts.

As bond prices rose, the yield on the Treasury long bond touched 7.25 per cent — the lowest level for more than nine years.

Yet the rally faltered as crude prices abruptly reversed direction, partly because Vice-President George Bush, on his way to Saudi Arabia, expressed concern about their plunge.

The White House said Mr Bush's remarks had been "taken out of context" and expressed the Administration's continued faith in market forces to determine oil prices. Wall Street remained both sceptical and confused.

On Tuesday, the Treasury long bond price moved through a four-point trading range, only to end the day little changed—proving once again that, for the bond market, oil prices and inflation expectations still play the key role.

Oil prices moved higher during the last four trading sessions of the week, while bond prices continued to shift abruptly in response to shifting expectations. By the close on Friday, Treasury bond prices were ¾ of a point lower on average, though the long bond managed to post a half point gain on the week to end at 120.

At that price, the 30-year bond is yielding 7.55 per cent—virtually the same as overnight Fed funds. Most other short-term rates fell sharply last week—by between 10 and 25 basis points—reflecting continued expectations that the Fed, whose policy-making Federal Open Market Committee (FOMC) met on Tuesday and Wednesday, will soon move to cut discount rate by half a percentage point from the current 7 per cent.

Speculation about a discount rate cut received a further boost on Friday morning when the March US employment statistics were released. They showed a disappointing 0.1 per cent decline in the civilian unemployment rate to 7.2 per cent. More significantly, they showed that although non-farm employment rose by 192,000 in March 42,000 jobs were lost in manufacturing industry and 30,000 jobs disappeared in the oil, gas and mining sector.

The employment data, coupled with other factors like the emerging plight of the US energy states and their financial institutions, reinforced the belief of most market economists that the Fed will ease monetary policy further.

Dr Henry Kaufman, Salomon Brothers' chief economist, says: "Recent developments suggest that the Federal Reserve may ease monetary policy some time this month. Two important influences on this likely decision are lacklustre economic performance and further declines in interest rates."

While Dr Kaufman says a discount rate cut could depend "on an international co-ordinated effort" and most crucially on Japanese actions, he adds that it would be difficult in present conditions for the Fed to ease without cutting the discount rate.

Mr Philip Braverman of Irving Securities notes that despite disappointment that the Fed did not cut the discount rate immediately after the FOMC meeting, "Fed easing remains likely, given prospects for low inflation, continued sluggish economic growth, and deep distress at some financial institutions."

Mr Braverman cautions however that a number of technical factors leave the market vulnerable to "a modest price retreat" in the short term.

Once again therefore the timing, rather than direction, of any Fed move has become the key issue for Wall Street.

Some economists like Mr Allan Sinai of Shearson Lehman believe the Fed will resist any move, like a discount rate cut, until other countries act.

The Fed watcher's job at present is made even more difficult because of the difficulty of interpreting the Fed's open market operations, which included three rounds of customer repurchase agreements and an outright purchase of bills last week, against technical factors.

Such uncertainties are also apparent in the US corporate bond markets. Last week corporate bond prices fell by between ¼ and ½ of a point. Most medium-term yield levels were unchanged to 13 basis points higher, while long yields *rose by up to 25 basis points.*

Paul Taylor

US MONEY MARKET RATES (%)

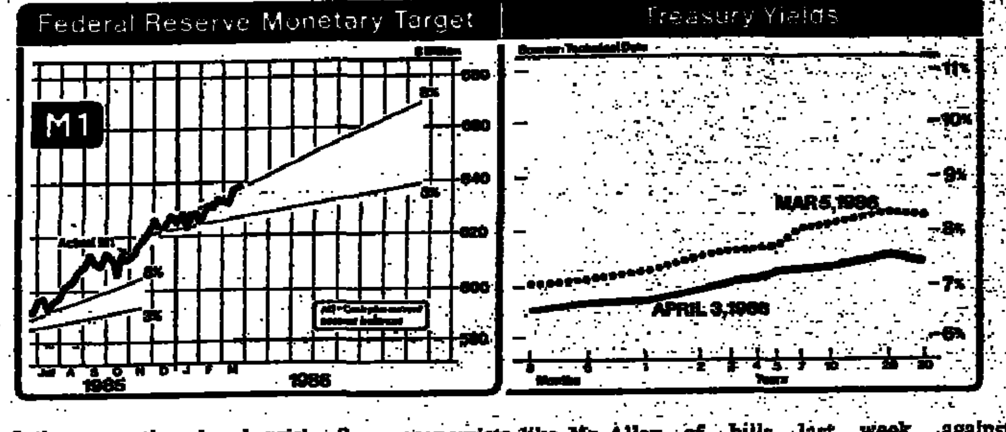
	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	7.50	7.31	7.70	9.91	7.10
Three-month Treasury bills	6.22	6.34	6.61	8.15	6.22
Six-month Treasury bills	6.22	6.32	6.61	8.61	6.22
Three-month prime CDs	7.02	7.16	7.36	8.85	7.02
30-day Commercial Paper	7.15	7.25	7.25	8.60	6.95
90-day Commercial Paper	6.96	7.05	7.15	8.70	6.96

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	100⅝	—	7.34	7.34	(new)
20-year Treasury	117	−⅞	7.49	7.66	8.38
30-year Treasury	120	+⅜	7.55	7.60	8.20
New 10-year "A" Financial	N/A	—	8.50	8.50	8.88
New "AA" Long utility	N/A	−1⅞	8.88	8.75	9.25
New "AA" Long industrial	N/A	−1⅞	8.75	8.63	9.00

Source: Salomon Bros (estimates).

Money Supply: In the week ended March 24 M1 rose by $1bn to $639.3bn.



UK GILTS

Erratic trading follows transatlantic trend

ACCORDING TO conventional wisdom, last week ought to have been a dismal one for the gilts market.

With the oil price falling below $10 a barrel immediately after the Easter holiday, one might have expected gilt prices to plunge. In fact their highest point was at the opening on Tuesday morning when the oil price was at its lowest. As crude prices recovered after that, gilt prices slid in volatile and erratic trading to close the week below their early peaks by some 2½ points at the long end, ranging to 1½ points for shorter-dated issues.

There is scarcely any better example of the way in which the market continues to be dominated by events on the other side of the Atlantic. Far from being undermined by the slide in crude prices, gilts have shared in the boom on world bond markets as inflationary expectations have come down. As New York bond prices now tend to weaken when oil prices rise, so, paradoxically, do those gilts.

"If oil was to turn up substantially, US bonds would fall so fast we would all be in a mess," says Mr David Porter of brokers Hoare Govett.

Yet UK bond prices have lagged the advance elsewhere, producing a growing yield differential between London and New York, where long-dated Treasury issues now yield around 1.6 per cent less than gilts. That had prompted expectations that gilts could be boosted by an inflow of foreign buying. In fact, last week saw some interest by Japanese investors and to a lesser extent by German buyers. But it was not enough to sustain the market, and in any case, foreign interest ebbed as prices fell later in the week.

After the upward shift of recent weeks, the market was ripe for a period of consolidation. The peaks of last Tuesday gave investors the chance to take profits, and some dealers said they detected bargain-hunters buying in at lower levels, although the volume was low.

In the short run the market appears already to have discounted a fall in the UK inflation rate to around 3.5 per cent. Short of a new boost from overseas in the form of a fresh round of international interest rate cuts, there is little obvious good news on the horizon. Preliminary money supply estimates for banking March, due on Wednesday, are generally expected to show a steep increase, while a string of calls on partly-paid issues over the next month or so is also weighing on the market. These issues in particular were among the losers last week.

The question facing gilts dealers now is whether this consolidation is likely to continue. Opinions are divided, though clearly much will depend on what happens in New York. This week's meeting of leading finance ministers and central bank governors at the International Monetary Fund's Interim Committee meeting in Washington is one factor adding to the uncertainty, as there is always the prospect of agreement on a further round of concerted rate cuts. So is the forthcoming resumption by Opec of its talks on establishing output limits on oil, though for the time being the gilts market is expecting little in the way of clear-cut conclusions.

Despite the steepness of last week's price correction, one consolation was that it happened on generally very thin trading volume. The basic undertone remains firm, all the more so since sterling has proved resilient on exchange markets in the face of falling oil prices.

"Usually low volume in a fall means that basically the market still wants to go up," says Mr John Mullett of brokers L. Messel.

One development which might have helped prices recover would have been a decision by the UK to enter the European Monetary System. With the sterling exchange rate pegged to its European counterparts, the UK authorities would have found themselves compelled to lower interest rates to prevent a destabilising inflow of hot foreign money. But on Friday, as European finance ministers gathered to discuss a new realignment, the gilt market was betting against UK entry. Gilt prices barely reacted to the news of the meeting in the Netherlands.

Peter Montagnon

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11½ 94	[illegible]	[illegible]	−1⅛	10.44
AIDC 11 89	[illegible]	[illegible]	0	[illegible]
Alcan Australia 9⅞ 89	[illegible]	[illegible]	+0⅛	9.13
Amer Savings 12 89	[illegible]	[illegible]	−0⅛	9.69
Amer Savings 12½ 89	[illegible]	[illegible]	−0⅛	9.66
Asian Dev Bk 11⅛ 94	[illegible]	[illegible]	+2	8.64
Australia 11⅛ 90	[illegible]	[illegible]	+1	7.80
Australia 11⅜ 95	[illegible]	[illegible]	0	8.41
Australia 11⅞ 90	[illegible]	[illegible]	+1½	8.27
Australia 15⅞ 89	[illegible]	[illegible]	+0⅛	7.70
Avon Fin 10⅞ 92	[illegible]	[illegible]	−2	9.47
Bk Nova Scotia 13⅞ 87	[illegible]	[illegible]	+0⅛	7.89
Bank of Tokyo 12½ 92	[illegible]	[illegible]	+0⅛	9.20
Bank of Tokyo 13⅞ 91	[illegible]	[illegible]	+1⅛	8.15
Bank of Tokyo 13⅞ 89	[illegible]	[illegible]	+0⅛	8.13
BMW O/S Fin 10⅞ 91	[illegible]	[illegible]	+0½	8.70
BP Capital 11½ 92	[illegible]	[illegible]	+0⅛	8.73
Br Col Hydro 11⅛ 93	[illegible]	[illegible]	+0⅞	8.18
Br Col Hydro 12¼ 14	[illegible]	[illegible]	+2⅛	8.67
Br Col Hydro 12⅞ 13	[illegible]	[illegible]	+2	9.37
Britoil Fin 11⅞ 90	[illegible]	[illegible]	+0⅛	9.71
Caisse Nat En 11⅞ 95	[illegible]	[illegible]	+1⅞	8.30
Canada 10⅞ 89	[illegible]	[illegible]	+0⅛	7.51
CBS Inc 11⅞ 92	[illegible]	[illegible]	+0⅞	9.98
Cheesebrough S & L 0 10.12bn	[illegible]	[illegible]	+0⅛	9.49
Chesebrough 12 93	[illegible]	[illegible]	+0½	10.06
Chubu Elec Pwr 13⅞ 91	[illegible]	[illegible]	0	8.67
Citicorp O/S 11⅛ 90	[illegible]	[illegible]	+0⅛	9.56
Citicorp O/S 11¾ 90	[illegible]	[illegible]	+0⅛	10.16
Citicorp 11⅛ 92	[illegible]	[illegible]	+0⅛	9.86
Citicorp 11¾ 97	[illegible]	[illegible]	−0⅛	10.51
Citicorp O/S 14 94	[illegible]	[illegible]	+0⅛	13.62
CNCA 11⅞ 92	[illegible]	[illegible]	−0⅛	8.35
CNCA 13⅞ 91	[illegible]	[illegible]	+0⅛	8.20
Coastal Int 12⅝ 88	[illegible]	[illegible]	−0⅛	9.17
Coca-Cola 11⅞ 88	[illegible]	[illegible]	+0½	7.57
Cp Fin de Paris 13¼ 89	[illegible]	[illegible]	−2½	11.51
Continental Grp 11⅛ 93	[illegible]	[illegible]	+0⅛	10.83
Creditanstalt 13⅞ 91	[illegible]	[illegible]	+1⅛	8.31
Daiichi Kangyo 12¼ 90	[illegible]	[illegible]	+0⅛	8.07
Denmark 10⅞ 90	[illegible]	[illegible]	0	9.70
Denmark 11⅞ 92	[illegible]	[illegible]	0	8.46
Denmark 11⅜ 92	[illegible]	[illegible]	+0⅛	12.15
Denmark 13 91	[illegible]	[illegible]	+0⅛	8.27
Denmark 13 92	[illegible]	[illegible]	+0⅛	12.46
Denmark 13⅞ 91	[illegible]	[illegible]	+1	8.35
Denmark 15⅞ 88	[illegible]	[illegible]	+0⅛	7.92
Denmark 14 91	[illegible]	[illegible]	−0½	10.89
Digital Equip 11⅛ 89	[illegible]	[illegible]	+0⅛	8.23
Dutch St Mines 11⅛ 91	[illegible]	[illegible]	0	9.81
Exportfinans 11⅜ 92	[illegible]	[illegible]	−0⅛	8.25
Exportfinans 11¾ 90	[illegible]	[illegible]	+0⅛	9.09
Ec de France 11½ 93	[illegible]	[illegible]	+1½	7.94
Ec de France 12⅞ 87	[illegible]	[illegible]	+0⅛	7.60
EEC 11⅞ 92	[illegible]	[illegible]	+0½	7.34
EEC 11⅞ 90	[illegible]	[illegible]	+0⅛	7.75
EEC 12 93	[illegible]	[illegible]	+1	8.23
Elf-Aquitaine 10⅞ 89	[illegible]	[illegible]	+0⅛	8.27
Ericsson L M 10⅞ 89	[illegible]	[illegible]	0	8.88
Euro Inv Bk 11¼ 94	[illegible]	[illegible]	+0⅛	7.83
Euro Inv Bk 11⅛ 91	[illegible]	[illegible]	−0½	8.90
Euro Inv Bk 12⅞ 90	[illegible]	[illegible]	+0⅛	7.85
EDC 9⅞ 88	[illegible]	[illegible]	+0⅛	7.93
EDC 10 88	[illegible]	[illegible]	+0⅛	7.49
EDC 10⅞ 88	[illegible]	[illegible]	0	7.38
EDC 11⅞ 88	[illegible]	[illegible]	0	7.64
EDC 12 89	[illegible]	[illegible]	+0⅛	7.86
EDC 13⅞ 87	[illegible]	[illegible]	0	7.56
Fed Dept Stors 11 90	[illegible]	[illegible]	+0⅛	8.11
Finland 11⅛ 88	[illegible]	[illegible]	0	7.68
Finland 12⅞ 94	[illegible]	[illegible]	+1⅛	8.21
Finnish Export 12⅝ 87	75	107⅛	+0⅛	7.69
Firstfed Mich 1 13⅞ 89	125	109⅛	−0⅛	9.58
Florida Fed 12⅞ 89	100	105⅞	−0⅛	10.06
FNMA 11.5 91	300	111⅛	+0⅛	8.79
Gen Elec Cred 0 96	600	44⅛	+1⅛	8.15
Gen Elec Cred 9⅞ 91	100	104	+0⅛	8.76
Gen Elec Cred 10⅛ 90	200	105	−0⅛	9.70
Gen Elec Cred 11 91	200	106	−49⅞	9.39
Gen Elec Cred 11⅛ 87	200	105⅛	+0⅛	10.75
Gen Elec Cred 12 94	200	111⅛	+0⅛	9.91
Gen Foods Cap 11½ 90	75	108⅛	−0⅛	9.02
General Mills B 12 91	100	123	+0½	8.96
GMAC 10 88	200	103⅞	+0½	7.72
Gen Motors Acc 10⅛ 90	200	104½	−0⅛	9.15
Gen Motors Acc 11⅛ 90	100	107⅛	+0⅛	9.33
GMAC O/S Fin 15⅛ 97	100	99⅛	0	11.67
GTE Finance 12 96	75	103⅛	0	11.41
Gulf Oil 10⅛ 94	100	100⅛	−0⅞	10.10
GZB 14 91	100	120½	+2	8.91
Holl Air Fin 12⅛ 91	100	107⅛	+1	10.30
Household Fin 11⅝ 92	100	109⅛	−0⅛	9.43
IBM 9⅞ 88	200	103½	+0⅛	9.17
IBM (WTC) 10⅛ 89	300	104⅞	−0⅛	9.71
IBM Credit 11 89	100	105⅛	+0⅛	9.09
IC Industries 8⅞ 87	35	99⅛	+0⅛	8.92
IC Industries 12 90	75	109	+1⅛	9.24
Inco 9 92	100	98	+0⅝	9.40
Ind Bk Japan 10⅝ 92	100	109⅛	+0⅛	8.64
Ind Bk Japan 10⅞ 95	100	109⅛	0	9.20
Ind Bk Japan 11⅛ 89	125	109⅞	−0⅛	7.58
Ind Bk Japan 11⅞ 91	100	113⅛	+0⅞	8.78
Int-Amer Dev 12⅛ 91	150	119⅛	+0⅛	8.26
Int-Amer Dev 11⅞ 94	200	117	−3⅛	8.97
Int Paper 12 91	75	105⅞	−0⅛	10.42
Int Stand Elec 0 97	112	34⅛	−0⅛	10.17
Int Stand Elec 12 96	75	107⅛	−0⅛	10.79
ITT 11½ 89	125	109⅛	0	9.21
ITT Credit Corp 10½ 90	75	105⅛	−0½	8.82
Japan Airlines 12⅞ 94	70	117⅛	−0⅞	9.39
Japan-Dev Bk 10⅞ 92	50	109⅛	0	8.47
Kellogg Co 10⅞ 90	100	106⅞	0	8.76
Kellogg Co 11⅞ 92	100	109⅛	+0½	9.02
Kimberley-Clark 12 94	100	121⅞	+1⅞	8.34
Kyowa Fin HK 12⅞ 90	100	114⅛	+0⅛	8.60
Long Term Cred 10⅛ 90	100	108⅛	−0⅛	8.27
Long Term Cred 11 90	100	108⅛	−0⅛	8.30
Long Term Cred 11⅞ 89	100	110⅛	+0⅞	7.81
Long Term Credit 12 93	100	120⅛	+1⅛	8.38
Macy R H 11⅛ 91	100	103⅛	0	10.75
Macy R H 11⅛ 95	100	103⅛	−0⅛	11.14
Manitobe 14⅛ 91	150	126⅛	+0⅛	8.51
Marubeni 11⅛ 91	150	110½	−1½	8.93
McDonalds Fin 11⅝ 94	75	108⅞	−0⅛	9.91
Merrill Lynch 12⅛ 89	100	107	+0⅛	10.22
Michelin 10 94	125	101	+0⅛	9.80
Mitsubishi Cp 10½ 92	100	107⅛	+0⅛	8.88
Mitsubishi Cp 10⅝ 95	200	109⅛	+2⅛	9.03
Mitsubishi Cp 12½ 91	100	118⅛	+0⅛	7.91
Mitsubishi Est 11⅛ 88	50	105⅛	+0⅛	8.00
Mitsui Eng 7⅛ 88	50	112½	0	2.17
Mitsui Fin Asia 12⅛ 92	100	113½	+0⅛	9.05
Mitsui Tst Fin 12 91	100	115⅛	+0½	8.03
Mobil Corp 10⅝ 90	200	105⅛	+0⅛	8.71
Montreal City 12½ 91	70	113⅛	+0⅞	8.98
Mgn Guaranty 12⅛ 89	150	110⅛	−0⅛	8.17
Morgan J P 11⅛ 92	100	109⅛	+0⅛	9.16
Mount Isa Fin 13⅞ 87	100	106⅛	−0⅛	8.21
Ned Gasunie 11⅛ 90	75	111½	+0⅛	8.14
Ned Gasunie 11⅛ 91	75	108⅞	−0½	8.95
N Eng Lf Mtg 11⅛ 96	149	113⅛	+1⅛	9.40
Newfoundland 13 91	75	115⅛	+0⅛	9.09
Nippon Crd Bk 13⅞ 89	100	115⅛	0	8.31
Nippon Tel Tel 11⅛ 90	100	114	0	7.09
Nippon Tel Tel 12⅝ 91	100	119⅛	+0⅛	8.06
Nissho-Iwai 6⅞ 89	70	156⅛	0	0.00
Nomura 6⅛ 88	100	302	0	0.00
Nova Scotia 11⅛ 91	100	106⅛	−2⅛	10.08
Nova Scotia 11⅞ 96	100	114⅛	+1½	9.68
Oester Post 12⅛ 89	75	110⅛	+0⅛	8.11
Ohbayashi-Gumi 7⅞ 89	50	274	0	0.00
Ontario Hydro 11⅝ 94	200	120⅛	+1⅛	7.96
Ontario Hydro 11⅛ 90	200	113⅛	+0⅛	7.99
Ontario 12½ 94	250	121⅞	0	8.84
Pacific Gas & El 12 00	75	113⅞	+1⅛	10.08
Penney J C 11⅞ 90	100	106⅛	+0⅛	9.95
Penney J C 12⅝ 91	100	112⅛	−1⅛	9.05
Philips Petrol 14 89	200	102⅛	+0⅛	13.08
Postipankki 11½ 90	75	107	−0⅛	8.94
Post-Och Kred 13½ 87	50	106⅛	+0⅛	7.81
Privatbanken 12½ 95	100	118	0	9.40
Prudential Ins 12⅛ 87	150	108⅞	+0⅛	7.73
Pru Rlty Secs 0 89	365	34⅛	+0⅛	9.65
Pru Rlty Secs 11⅞ 92	386	108⅛	−0⅛	9.88
Pru Rlty Secs 12⅝ 96	645	114½	−0⅛	9.59
Quebec Prov 12⅛ 94	150	115⅛	+0⅛	9.31
Queensland Gvt 11⅛ 89	100	109⅞	+0⅛	8.16
RBC 11½ 90	100	108⅞	+0⅛	8.39
Rural Bk Aust 12 91	50	108⅛	−1⅛	9.77
Sanwa Bank 11⅞ 92	150	114⅞	+0⅛	8.62
Saskatchewan 10⅛ 92	100	112⅛	+0⅛	7.95
Saskatchewan 10⅞ 90	125	109⅛	+0⅛	7.92
Saskatchewan 11⅞ 89	100	111⅞	+0⅛	7.93
Saskatchewan 15 92	150	131⅛	+0⅛	8.56
Saskatchewan 16 89	125	120½	+0⅛	7.92
Scot Intl Fin 14⅛ 96	50	120½	+2⅞	10.81
Sears O/S Fin 0 98	500	35⅛	+1⅛	8.65
Sears Roebuck 10½ 91	150	105⅛	−0⅛	9.10
Sears Roebuck 11⅛ 91	150	112⅞	+0⅛	8.28
Sec Pacific 12 92	100	115⅛	+0⅛	8.52
Shearson/Amex 12⅛ 94	100	111⅛	−1	9.98
Shell (Canada) 14⅞ 92	125	116⅞	0	10.64
Signal Compa 11⅛ 92	125	110⅛	+0⅛	9.39
Standard Oil 10½ 89	150	103½	0	8.98
Statoil 12 88	100	108⅛	+0½	7.27
Sumitomo Corp 10⅝ 92	100	110	0	8.41
Sumitomo Fin 11⅛ 92	150	115⅞	+0⅛	8.41
Sumitomo Fin 12⅛ 91	150	118½	+0⅛	8.15
Sumitomo Trust 12½ 92	100	113⅛	0	9.34
Sweden 11½ 89	200	111⅛	+0½	7.80
Sweden 12⅞ 89	200	112⅞	+0⅛	7.76
Swedish Export 10⅛ 88	100	104⅞	−0⅛	9.84
Swedish Export 11½ 89	100	109	0	7.80
Swedish Export 12⅛ 89	100	110⅛	−0⅛	9.06
Taiyo Kobe 11⅞ 90	100	111⅞	+0⅛	8.39
Taiyo Kobe 12 90	100	113	+0⅛	8.50
Tenneco Corp 11½ 89	150	106⅛	+0⅛	8.78
Texaco Capital 10½ 90	200	95½	+1	11.79
Texaco Capital 10⅞ 93	200	0		
Texaco Capital 13⅛ 89	200	104⅛	+0⅛	11.63
Texas Instru 11⅞ 91	150	108½	+0⅛	10.13
Tokai Asia 12⅛ 91	100	111⅛	−1⅛	9.28
Tokyo Elec Pr 13⅛ 89	100	113	0	8.65
Tokyo Metrop 12⅞ 84	50	119⅛	+5⅛	9.43
Toray Inds 11⅛ 92	50	107⅞	0	9.32
Toronto-Dom 12⅝ 89	50	107⅛	−½	9.81
UBS 12⅛ 91	100	109⅛	+0⅞	9.88
Utd Tech 11⅛ 92	150	112⅞	+0⅛	8.34
Veba 8 93	70	214	−1⅛	0.00
West LB 11⅞ 90	100	111⅛	−0⅛	8.73
Westpac 12⅝ 92	100	115½	0	9.06
Weyerhaeuser 11½ 90	60	106⅛	−0⅛	10.02
World Bank 11 92	300	114½	+0⅛	7.80
World Bank 11⅛ 90	200	113	+0⅛	7.72
World Bank 11⅛ 89	200	110⅛	+0⅞	7.17
World Bank 12 93	200	120½	+1⅛	8.19
World Bank 12⅛ 94	150	124⅛	+1⅛	8.18
World Bank 12⅞ 94	200	123⅞	+1⅛	8.26
Yasuda Trust 12⅛ 89	100	112	0	7.76

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 96	100	100	−0⅛	8⅞
Arab Bank Corp ⅛ 96	100	99⅞	+0⅛	7⅛
Banca Lavoro ⅛ 91	100	100	+0⅛	8⅞
Bando di Roma ⅛ 89	150	100⅛	0	8⅛
Banco di Roma ⅛ 92CU	75	99⅞	−0⅛	10⅛
Bankers Tr NY ⅛ 94	200	100⅛	0	7⅛
Bank of Greece ⅛ 94	150	97½	0	8⅞
Bank Montreal ⅛ 94 £	100	100⅛	0	11⅞
Bqe Nat Paris ⅛ 88	400	107½	+0⅛	8⅞
Bqe Nat Paris ⅛ 95	400	100⅛	+0⅛	8⅞
Bqe Nat Paris ⅛ 96	250	100⅛	0	8⅞
Barclays O/S ⅛†	600	100⅞	±0⅛	8⅞
BBL ⅛ 95	100	100⅛	0	8⅞
BBL ⅛ 89	100	100⅛	+0⅛	8⅞
BCI ⅛ 96	300	100⅞	0	8⅞
BFCE ⅛ 97	400	99⅛	−0⅛	8⅞
BFCE ⅛ 99	600	100⅛	0	7⅛
Belgium ⅛ 04	400	100	0	8⅛
CCCE ⅛ 05	200	100⅞	0	8⅛
CEPME ⅛ 96 £	100	100⅛	+0⅛	11½
Chase Manhattan ⅛ 09	400	100	0	8
Chemical NY ⅛ 99	300	99⅞	0	7⅞
Citicorp O/S ⅛ 91 £	100	99½	0	12⅞
Citicorp O/S ⅛ 96	250	98	+0½	7⅛
Citicorp Pan Pan ⅛ 97	250	100	+0⅛	8⅞
Commerzbank ⅛ 89	150	100⅛	0	8⅛
Creditanstalt ⅛ 96	150	100⅞	0	8
Credit Foncier ⅛ 00 £	100	100⅛	0	13⅞
Credit Lyonnais ⅛ 96	300	100⅛	+0⅛	8⅞
Credit Lyonnais ⅞ 99	250	100½	0	8⅞
Credit Lyonnais ⅛ 00	300	100⅛	0	8⅞
Credit National ⅞ 95 £	100	99⅞	+0⅞	11⅞
Dai-Ichi Kangyo ⅛ 96	150	100	0	8⅛
Den Danske Bank ⅛ 89	30	100	0	8⅛
Denmark ⅛ 90	600	100⅛	0	8⅞
Denmark ⅛ 95	250	100½	+0⅛	10
Eldorado Nuke 89	100	100⅛	+0⅛	8
Elec de France ⅛ 89	400	101⅛	+0⅛	8⅞
ENEL ⅛ 93 £	100	100½	+0½	11⅞
Exterior Int ⅛ 86	125	100⅛	+0⅞	8⅞
Ferro del Stat ⅛ 88	100	100⅛	+0⅛	8⅛
Ferro del Stat 97	420	99⅞	0	8⅞
Fiat Fin Corp 8⅞ 91	100	99⅞	−0⅛	8⅛
First Chicago ⅛ 94	100	100½	+0½	8⅞
First Chicago ⅛ 97	200	99⅛	−0⅛	8⅞
Ford Motor Cr ⅛ 91	200	99⅛	−0⅛	8⅞
GW O/S Fin ⅛ 94	100	99⅛	+0⅛	7⅛
Grindlays ⅛ 94	100	100⅛	0	8⅛
Interfinst Tax ⅛ 89	100	91½	−4½	8⅞
Ireland ⅛ 88	50	100	0	8½
Ireland ⅛ 93 £	50	100⅛	0	12⅞
Ireland ⅛ 94 £	300	100⅛	+0⅛	8⅞
Ireland ⅛ 96 £	100	100⅛	+0⅛	12⅛
Ireland ⅛ 97	300	100⅛	+0⅛	8⅛
Ireland ⅛ 99	300	100⅛	0	7⅛
Italy ⅛ 94	1bn	100	0	8⅞
Italy ⅛ 05	500	99⅞	0	7⅞
Kleinwort Benson ⅛ 96	100	100⅛	+0⅛	7⅞
Korea Dev Bk ⅛ 00	100	99⅞	+0⅛	8⅛
Lincoln S & L ⅛ 89	100	99⅞	0	8⅞
Malaysia ⅛ 93	500	100	0	8⅛
Malaysia ⅛ 94	600	99⅛	+0⅛	8⅛
Man Hanover ⅛ 94 £	75	99⅞	0	12⅞
Marine Midland ⅛ 94	125	100	0	8⅞
Marine Midland ⅛ 96	125	99⅛	0	7⅛
Marine Midland ⅛ 09	150	100	0	7⅞
Mellon Bank ⅛ 96	250	100⅛	0	8⅛
Midland Intl ⅛ 89	200	100⅛	0	7⅞
Mitsui Fin ⅛ 96	100	100⅛	+0⅛	7⅞
Morgan Grenfell ⅛ 94	80	99⅛	−0⅛	8⅞
Mtg Intermed ⅛ 10 £	50	100⅛	0	12
Nat Bank Canada ⅛ 91	50	100⅛	−0⅛	8⅞
NatWest ⅛ 05	400	100⅛	0	8⅞
NatWest Fin ⅛†	300	100⅛	+0⅛	8⅞
Neste Oy ⅛ 94	100	100⅛	+0⅛	8⅞
New Zealand ⅛ 87	350	0	0	8⅛
NZ Steel Corp ⅛ 92	226	100⅛	0	8⅛
Offshore Min ⅛ 91	150	100⅛	0	8⅛
Oster Lend Bank ⅛ 99	100	99⅞	−0⅛	8⅞
Portugal ⅛ 92	100	100	0	8⅛
Queensland Coal ⅛ 96	355	100⅞	0	8⅞
Renfe ⅛ 91	100	101⅛	+0⅛	7⅛
Sanwa Intl Fin ⅛ 92	150	100⅛	0	8⅞
SEAT ⅛ 93	100	100⅛	+1	8⅛
Security Pac ⅛ 97	250	99⅛	0	7⅛
Shawmut Corp ⅛ 97	50	99⅛	0	8⅛
SNCF ⅛ 93 £	75	100⅞	+0⅛	13⅛
Soc Generale ⅛ 97	400	100⅛	0	7⅞
Soc Generale ⅛ 94	250	100⅛	0	7⅛
Spain ⅛ 99	500	100⅛	0	8⅞
Spain ⅛ 97	250	100⅛	0	8⅞
Standard Chart ⅛ 94	200	100⅛	0	8⅛
State Bk India ⅛ 87	30	100	+0⅞	8⅞
Sumitomo Trust ⅛ 94	100	100⅛	+0⅞	8⅛
Sweden ⅛ 99	500	100	+0⅛	8⅞
Sweden 90	700	99⅞	0	7⅛
Swedish Ex Cred ⅛ 92	125	109	−0⅛	10
Thailand ⅛ 05	60	99⅛	0	7⅛
Tokai Asia ⅛ 99	150	100⅛	−0⅛	8⅞
Tovo Trust Asia ⅛ 99	100	100⅞	0	7⅛
UBAF ⅛ 90	65	99⅛	0	8⅛
Union Bank-Norw ⅛ 99	50	99	+1½	8⅞
United Kingdom 92	2.5bn	100	0	7⅞
Wells Fargo ⅛ 94	150	99	+0⅛	7⅞
Wells Fargo ⅛ 96	50	99	0	7⅛
Yorkshire Int ⅛ 94 £	75	100	0	11⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	196⅞	+7⅞	−3.22
Best Denki 5⅞ 97	15	244½	+9⅛	−2.45
Canon 7 97	60	285⅛	+22⅛	−1.02
Daiwa Secs 5½ 98	60	357⅛	−25	−5.87
Dev Bank Sing 5½ 98	70	75	0	54.28
Elders 11⅛ 94	160	120⅛	+0⅞	3.81
Elktrowatt 5 98	51	140⅞	+3½	−6.05
Fujitsu 3 99	[illegible]	[illegible]	[illegible]	[illegible]
Intec-Inc 3 99	[illegible]	[illegible]	[illegible]	[illegible]
Kyowa Hakko 6⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]
LASMO 9⅞ 99	[illegible]	[illegible]	[illegible]	[illegible]
Moet-Hennessy 7 99	[illegible]	[illegible]	[illegible]	[illegible]
Murata Mfg 5½ 00	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Oil 3⅞ 99	[illegible]	[illegible]	[illegible]	[illegible]
Ono Pharm 3⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]
Soc Gen Surv 4⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Corp 2⅞ 99	[illegible]	[illegible]	[illegible]	[illegible]
Texaco Capital 11⅞ 94	1bn	[illegible]	[illegible]	[illegible]
Texaco Capital 11⅞ 94	500	[illegible]	[illegible]	[illegible]
Tamura Jntendo 5⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]
Yamaichi Sec 3⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
Avon Products 6⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 6⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Dow Chemical 7 94	[illegible]	[illegible]	[illegible]	[illegible]
EDF 6⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 7⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 6⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
FMNA 6⅞pc 92	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 6½ 90	[illegible]	[illegible]	[illegible]	[illegible]
Intel 6⅞ 92	12.5	[illegible]	[illegible]	[illegible]
Int-Amer Dev 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]
ITT 6⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
McDonald Corp 6½ 92	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 7⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 7⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Gas & El 7 94	[illegible]	[illegible]	[illegible]	[illegible]
Penney J. C. 6⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Procter 6⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Sallie Mae 6⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
TRW 7 94	[illegible]	[illegible]	[illegible]	[illegible]
Utd Technology 6⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7 94	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 8 93	[illegible]	[illegible]	[illegible]	[illegible]

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅞ 89	800	[illegible]	[illegible]	[illegible]
Eurofima 10 94	600	[illegible]	[illegible]	[illegible]
E Coal & Steel 10½ 94	1bn	[illegible]	[illegible]	[illegible]
Euroinvest Bk 10½ 94	1bn	[illegible]	[illegible]	[illegible]
World Bank 10⅞ 89	1bn	[illegible]	[illegible]	[illegible]

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	[illegible]	[illegible]	[illegible]
ABN 7⅞ 89	150	[illegible]	[illegible]	[illegible]
Amro Bnk 7⅞ 89	150	[illegible]	[illegible]	[illegible]
Amro Bank 8 89	200	[illegible]	[illegible]	[illegible]
Bk Mees & Hope 8⅞ 89	100	[illegible]	[illegible]	[illegible]
Beatrice Foods 8⅞ 89	100	[illegible]	[illegible]	[illegible]
C C Rabo 8 89	150	[illegible]	[illegible]	[illegible]
Denmark 8½ 94	100	[illegible]	[illegible]	[illegible]
Int Stand Elec 8⅞ 88	100	[illegible]	[illegible]	[illegible]
New Zealand 8⅞ 89	100	[illegible]	[illegible]	[illegible]

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Aust Resources 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 10⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Bqe Indosuez 14 91	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Munic 12⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Munic 13½ 91	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Tele 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Farm Cred Corp 12⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Kredietbank 12 92	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Montreal City 12⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
New Brunswick 12 95	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 11⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 14 91	[illegible]	[illegible]	[illegible]	[illegible]

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	[illegible]	[illegible]	[illegible]
Australia & NZ 10⅛ 91	50	[illegible]	[illegible]	[illegible]
Austria 10⅛ 93	100	[illegible]	[illegible]	[illegible]
BFCE 9⅞ 92	100	[illegible]	[illegible]	[illegible]
Cred National 10⅞ 94	50	[illegible]	[illegible]	[illegible]
Cred National 11⅛ 91	50	[illegible]	[illegible]	[illegible]
Denmark 10⅛ 91	75	[illegible]	[illegible]	[illegible]
Ebco Intnl 10⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
EEC 11 93	50	[illegible]	[illegible]	[illegible]
EEC 11⅛ 91	50	[illegible]	[illegible]	[illegible]
EEC 11⅛ 93	70	[illegible]	[illegible]	[illegible]
Euro Coal & Steel 6 94	60	[illegible]	[illegible]	[illegible]
Euro Invest Bk 9⅞ 95	200	[illegible]	[illegible]	[illegible]
Euro Invest Bk 10⅛ 94	130	[illegible]	[illegible]	[illegible]
Euro Invest Bk 10⅛ 89	50	[illegible]	[illegible]	[illegible]
Euro Invest Bk 10⅞ 94	100	[illegible]	[illegible]	[illegible]
Euro Invest Bk 11⅛ 92	75	[illegible]	[illegible]	[illegible]
Euro Invest Bk 11⅞ 93	50	[illegible]	[illegible]	[illegible]
Euro Invest Bk 11⅛ 96	50	[illegible]	[illegible]	[illegible]
Gen Finance 11 90	70	[illegible]	[illegible]	[illegible]
Giro Vienna 10½ 93	60	[illegible]	[illegible]	[illegible]
GTE Finance 10⅞ 92	50	[illegible]	[illegible]	[illegible]
Ireland 10⅛ 95	50	[illegible]	[illegible]	[illegible]
Italian Govt 10½ 92	600	[illegible]	[illegible]	[illegible]
Italian Treas 11½ 90	100	[illegible]	[illegible]	[illegible]
Kredietbank L 9⅞ 92	75	[illegible]	[illegible]	[illegible]
Megal Finance 11⅛ 94	100	[illegible]	[illegible]	[illegible]
Nippon Cred Bk 11 91	50	[illegible]	[illegible]	[illegible]
Nordic Inv Bk 94	50	[illegible]	[illegible]	[illegible]
Post Och Kred 10⅞ 92	50	[illegible]	[illegible]	[illegible]
Royal Bk Can 10½ 89	85	[illegible]	[illegible]	[illegible]
SNCI 10⅞ 94	60	[illegible]	[illegible]	[illegible]
Swedish Export 11 89	57	[illegible]	[illegible]	[illegible]
West LB 10⅞ 91	50	[illegible]	[illegible]	[illegible]
World Bank 10⅛ 88	100	[illegible]	[illegible]	[illegible]

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	[illegible]	[illegible]	[illegible]
PIBA 12⅞ 89	50	[illegible]	[illegible]	[illegible]
State Bk NSW 12⅛ 89	40	[illegible]	[illegible]	[illegible]
Woolworths 18⅞ 88	25	[illegible]	[illegible]	[illegible]

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10⅛ 91	100	[illegible]	[illegible]	[illegible]
Denmark 10⅛ 89	75	[illegible]	[illegible]	[illegible]
EEC 11⅛ 94	50	[illegible]	[illegible]	[illegible]
Europerat 11⅞ 92	50	[illegible]	[illegible]	[illegible]
Euro Invest Bk 10⅛ 92	50	[illegible]	[illegible]	[illegible]
Finland 11⅞ 88	50	[illegible]	[illegible]	[illegible]
Grand Met Fin 10⅞ 90	50	[illegible]	[illegible]	[illegible]
Int-Amer Dev 11⅛ 91	60	[illegible]	[illegible]	[illegible]
Int Stand Elec 11⅞ 89	50	[illegible]	[illegible]	[illegible]
Inv In Indust 11½ 91	50	[illegible]	[illegible]	[illegible]
Ireland 11⅛ 94	50	[illegible]	[illegible]	[illegible]
New Zealand 10⅛ 89	100	[illegible]	[illegible]	[illegible]
SNCF 11⅞ 94	60	[illegible]	[illegible]	[illegible]
World Bank 10⅛ 89	100	[illegible]	[illegible]	[illegible]
World Bank 10⅛ 89	50	[illegible]	[illegible]	[illegible]
World Bank 11 94	50	[illegible]	[illegible]	[illegible]

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Bank Leu Int	30/6/88	[illegible]	[illegible]	[illegible]
Ciba-Geigy Int £	1/11/93	[illegible]	[illegible]	[illegible]
Credit Suisse	31/5/88	[illegible]	[illegible]	[illegible]
Casio Computer	6/3/89	[illegible]	[illegible]	[illegible]
Fujikura	28/4/89	[illegible]	[illegible]	[illegible]
IC Inds	15/6/88	[illegible]	[illegible]	[illegible]
Kayaba Industry	15/2/89	[illegible]	[illegible]	[illegible]
Minebea	20/2/89	[illegible]	[illegible]	[illegible]
Mitsubishi Cp	7/11/88	[illegible]	[illegible]	[illegible]
Mitsui Eng & Ship	10/12/87	[illegible]	[illegible]	[illegible]
Nissho Iwai	1/2/89	[illegible]	[illegible]	[illegible]
Phillips Gloeilampen	16/7/88	[illegible]	[illegible]	[illegible]
Swiss Bank Cpn	20/12/88	[illegible]	[illegible]	[illegible]
Toray Ind	5/3/87	[illegible]	[illegible]	[illegible]
Union Bk Switz A	30/11/89	[illegible]	[illegible]	[illegible]

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex yld
Aegon Ins 11⅛ 91	15/2/89	[illegible]	[illegible]	[illegible]
Coca-Cola 11⅞ 91	28/11/88	[illegible]	[illegible]	[illegible]
Dai-Ichi K 6⅞ 96 B	1/1/86	[illegible]	[illegible]	[illegible]
Du Pont 13⅛ 89	25/8/86	[illegible]	[illegible]	[illegible]
Eksportfinans 15⅞ 89	15/9/87	[illegible]	[illegible]	[illegible]
Gen Elec 12⅛ 91	7/8/87	[illegible]	[illegible]	[illegible]
Ind Bk Jpn 12⅞ 91	5/10/89	[illegible]	[illegible]	[illegible]
ITT Finance Corp	16/11/89	[illegible]	[illegible]	[illegible]
McDnlds 11⅛ 94	6/1/89	[illegible]	[illegible]	[illegible]
Oester Lndbk 13½ 89	9/8/87	[illegible]	[illegible]	[illegible]
Texaco Cap 12⅞ 92	1/9/87	[illegible]	[illegible]	[illegible]
Trnto Dom 12⅛ 91	5/4/88	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate († three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. † Perpetual.

Closing prices on April 4

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Dome creditors face an even longer wait

DARK CLOUDS are again gathering over Dome Petroleum, the Calgary-based oil and gas producer with the dubious distinction of being one of the world's biggest corporate debtors.

Barely a year after Dome signed an agreement with 56 creditors to stretch repayments of its C$6.3bn (US$4.5bn) debt to 1995, tumbling world oil prices have forced it to ask the lenders for new concessions. The company has proposed suspending interest and principal payments on unsecured loans from May 1 until mid-1987. Payments to secured lenders will be limited to cash flows. Preferred share dividends and redemptions will be frozen.

Yet even these proposals, made a month ago, were based on an oil price of US$16 a barrel. Within the next week or so, Dome will decide whether the further drop in oil prices since then requires yet more favours from its lenders. One possibility is to curtail payments immediately. The company is also likely to slash capital spending, notably on its relatively costly heavy oil operations.

Mr Howard Macdonald, Dome's chairman, says that liquidation is "not a practical option" at present with oil prices "near the bottom." But he does concede that it may become one if the oil market fails to recover.

All Dome's assets are already pledged as security to lenders and the company had a negative net worth of C$566m at the end of 1985. Financing charges totalled C$655m last year. One silver lining is that Dome's problems have caused less consternation in Canada and among the international banking community now than they did in 1982, when the company came close to collapse.

At that time, there were fears that Dome might bring down with it some of North America's largest banks and severely damage the economy of its home province of Alberta. The Canadian Government and four leading banks cobbled together a rescue package in September 1982 which would have made them substantial shareholders in Dome. (The plan was superseded by last year's debt rescheduling agreement).

Dome is still among Canada's 40 largest companies. It has 4,400 workers and remains a millstone around the necks of several big banks. It owes Canadian Imperial Bank of Commerce about C$1bn. Bank of Montreal and Toronto Dominion Bank each has an exposure of around C$800m, although the latter has a higher proportion of unsecured loans.

Other major creditors include Citicorp, Credit Suisse, Continental Illinois, Marubeni and Chase Manhattan. The difference between 1982 and 1986 is that Dome's biggest creditors are more strongly capitalised now than they were four years ago and have set aside substantial provision to cover potential losses, not only from Dome but also from other energy loans as well as sovereign risk portfolios.

CIBC's base capital ratio has improved from 2.6 per cent in October 1982 to 4 per cent on January 31, 1986. The bank announced recently that it has raised its 1986 loan loss estimates by C$150m "due to possible difficulties with energy-related loans." Toronto Dominion, one of North America's best capitalised banks, lifted its loan loss provisions by 36 per cent in the quarter to January 31. To the annoyance of some institutional investors, both banks sold new share issues just days before Dome announced its plan to curtail interest and principal payments.

Mr Macdonald, the former Royal Dutch/Shell treasurer, who was hired in the summer of 1983 to help dig Dome out of its hole, says that the Canadian Government is being kept informed of developments. But he adds: "Apart from giving us moral support, they haven't offered us any financial support, nor have we asked for any."

The Alberta oil industry as a whole, however, has begun to press for tax relief. The province's energy minister will be in Ottawa this week to request the immediate abolition of a controversial petroleum and gas revenue tax which is due to be dismantled gradually over the next three years.

Before the sudden plunge in oil prices, Dome appeared to be reaping the benefits of three years of sweeping budget cuts and asset disposals. The company had a working capital surplus last year for the first time since 1981. Cash flow more than doubled in 1985 and cash reserves trebled to C$466m. A successful equity issue was completed last year, and the debt rescheduling agreement finalised. Dome posted a small profit of C$7m in 1985, following losses of C$1.7bn in the previous three years.

The drop in oil prices has wiped out much of the progress. Dome received an average price of C$34 (US$25) a barrel in 1985. Each C$1 per barrel fall in the oil price costs the company C$20m in cash flow and C$9m in net income. A fall in natural gas prices of 10 cents per million cubic feet knocks another C$14m off cash flow and C$6m off the bottom line.

To add to Dome's burdens, Canadian interest rates are higher than they were at the end of last year and the Canadian dollar is lower. With 85 per cent of its debt at floating rates, each percentage point rise in interest charges costs Dome C$27m in net income.

Mr Macdonald, widely respected as a canny and tough negotiator, is optimistic that creditors will agree to the company's new debt rescheduling proposals before April 30. Dome has threatened to implement the plan unilaterally if that deadline is not met. "People recognise what we've done in the past few years," Mr Macdonald says. "We've treated them fairly. We're all in the same leaky boat and we're trying to see if we can patch it between us."

Bernard Simon

Canadian Pacific sees setback

By Robert Gibbens in Montreal

CANADIAN PACIFIC, the energy, transportation and holding company, has admitted that the drastic decline in oil prices will have a major impact on its main oil and gas arm, PanCanadian Petroleum, and indirectly on the whole group's 1986 performance.

PanCanadian has been a mainstay of Canadian Pacific's profits for the past three four years, helping to carry it through the 1982-83 recession.

Mr William Stinson, Canadian Pacific president, said it will take some time for cheaper oil to benefit the rail and other transportation subsidiaries. The resources companies such as Cominco, and the pulp and paper group. It will be a difficult year and first-quarter CP profits will be lower than last year's C$57.3m (US$41.3m) or 27 cents a share.

Alamito agrees raised offer

BY TERRY DODSWORTH IN NEW YORK

A FOUR-CORNERED takeover battle for Alamito, the Arizona-based energy wholesaler, appears to be moving into the final lap after the company's agreement to an improved offer from Osceola Energy Development, an investment group.

The accord was announced after Osceola increased its bid to $165 a share in cash, valuing Alamito at about $376m. Conclusion of the offer is contingent upon financing, but in an incentive to conclude the arrangements swiftly, Osceola has agreed to make a bonus payment of 3.3 cents a share for each day after July 1 that the merger remains to be completed.

Osceola's new bid compares with its original offer of $150 a share in cash and $5 in preferred stock. A week ago, after the bidding war hotted up, it increased its offer to $158 in cash.

Alamito was first propelled on to the takeover scene by proposals for a management buyout led by three of the group's executives, who approached shareholders with a bid at $110 a share. Although this was initially approved by directors, the offer was thwarted by legal action, which also forced the company to lower anti-takeover barriers and open itself up to rival proposals.

Rival bids were then made by Homans McGraw Trull Valeo, a Boston investment group, and Megawatt Corporation, another group of entrepreneurial investors. Alamito, which generates electricity and sells the power to utilities, has existed only about a year-and-a-half as an independent company.

Disposals reduce losses at Lauritzen

BY HILARY BARNES IN COPENHAGEN

J. LAURITZEN, the Danish shipping company, which operates a fleet of 70 vessels, reduced its 1984 loss of DKr 296m to DKr 69m ($7.8m) last year. Operating profits fell from DKr 433m to DKr 271m. The result came after the sale of a drilling rig and two heavy lifting ships.

Net financial costs were halved from DKr 307m to DKr 142m. Total assets were reduced over the year from DKr 4.3bn to DKr 2.9bn and debt from DKr 2.8bn to DKr 1.4bn, leaving the company with equity capital of DKr 1.49bn, or 50 per cent of assets.

Falling oil prices are expected to have a positive effect on shipping activities in 1986.

Bank of Cyprus ahead despite difficult year

By Andreas Hadjipapas in Nicosia

BANK OF CYPRUS GROUP, the largest banking organisation on the island, saw pre-tax profits surge by 15 per cent to C£6.4m ($12.4m) in 1985 from C£5.6m. The board is proposing a 15 per cent dividend, the same as last year.

The group has more than 100 branches in the island itself whereas Bank of Cyprus (London) operates six branches in the UK.

The total assets of the group rose by C£71m to more than C£627m.

Mr George C. Christofides, chairman of the group, described 1985 as the most difficult year of the past decade for the Cyprus banking system.

Rabobank issue

THE coupon on Rabobank's Ecu bond issue is 7½ per cent, not 7⅞ per cent as appeared incorrectly in the FT of April 4.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Restaurant Seibu ¶‡	50	1991	5	3¾	100	Nippon Kangyo Kakumaru	3.750
Best Denki ¶	45	1991	5	(4)	100	Nikko Secs. (Europe)	*
Union Pacific Corp. ‡	100	1996	10	7⅝	99¾	UBS (Secs)	7.662
Commerzbank ‡	100	1993	7	7¾	100	Commerzbank	7.750
Schering Plough ‡	100	1996	10	7¾	99¾	Merrill Lynch Cap. Mkts	7.787
Rohm	80	1991	5	(4)	100	Nomura Int.	*
KB Bma †‡	150	2011	25	(b)	100	CSFB	–
NTN Toyo Bearing ‡	110	1996	10	8	100⅛	Nomura Int.	7.834
Indust. Fund Finland ‡	93	1993	7	8	60¼	Daiwa Europe	7.506
Society for Savings ‡	75	1991	5	7¾	100¾	Bank of America Int.	7.564
CARIPLO ‡	100	1991	5	0	69.6	Manufacturers Hanover	7.456
Merrill Lynch ‡	100	1991	5	7⅝	100½	Merrill Lynch Cap. Mkts	7.501
Nippon Kokan ‡	100	1993	7	7¾	101⅝	Chemical Bank Intl.	7.444
Mitsubishi Corp. ¶	400	1994	8	(3½)	100	Nikko Secs. (Europe)	*
Campbell Soup ‡	100	1998	12	7½	99¼	Morgan Guaranty	7.597
CANADIAN DOLLARS							
British Columbia ‡	150	1996	10	9¼	101¼	SBCI	9.095
Bell Canada ‡	150	2006	20	9⅜	100¼	UBS (Secs)	9.347
Mun. Fin. British Columbia ‡	65.5	2001	15	9⅜	100	CCF	9.375
Gen. Motors Acc. Corp ‡	75	1992	6	9¼	101	Wood Gundy	9.027
AUSTRALIAN DOLLARS							
GMAC ‡	40	1989	3	12⅞	101	Hambros	12.455
Landesbank Rheinland ‡	30	1989	3	13	101	Orion Royal Bank	12.580
WestLB Fin. ‡	30	1989	3	13	101¼	WestLB	12.475
NEW ZEALAND DOLLARS							
Pirelli Fin. Serv. ‡	50	1989	3	18½	100½	Morgan Stanley INT.	18.269
Bank of Nova Scotia ‡	50	1989	3	18½	100½	Morgan Stanley Int.	18.269
SWISS FRANCS							
Restaurant Seibu **¶	50	1991	–	1¾	100	UBS	1.750
Safeway Stores ‡	100	2001	–	5¼	100½	UBS	5.201
Kansai Elec. Power **‡	100	1991	–	4¾	100½	UBS	4.636
Advantest Corp **¶	100	1991	–	1⅞	*	Crédit Suisse	*
Advantest Corp **§	100	1991	–	1⅞	*	Crédit Suisse	*
News International ‡	200	1996	–	5⅜	100	Crédit Suisse	5.375
S. California Gas ‡	150	Perp.	–	7½	100	Wirtschafts- und Privatbk	–
Hokuetsu Paper Mill **‡	50	1991	–	4⅞	100	Wirtschafts- und Privatbk	4.875
Tokai Corp. **‡	50	1991	–	4⅞	100¼	Citicorp Inv. Bank	4.818
Österreichische K.Bk ‡	150	2001	–	5	100½	Wirtschafts- und Privatbk	4.952
Kansai Electric	100	1996	–	(5)	*	UBS	*
Sumitomo Chemical	100	1991	–	4⅞	100¼	SBC	4.818
Tobu Railway **§	100	1991	–	1⅞	*	SBC	*
Canon Sales **	150	1991	–	*	*	Banca d. Svizz. Italiana	*
World Bank ‡	250	Perp.	–	5½	100	UBS	5.500
Chugoku Marine Paints **¶	30	1993	–	(1¾)	100	Citicorp Inv.Bk	*
Bombardier Inc. ‡	40	1998	–	6	100	Merrill Lynch Bk (Suisse)	6.000
France Cables et Radio **	25	1991	–	5	100¼	Citicorp Inv. Bk (Suisse)	4.818
FRENCH FRANCS							
CNT ‡	600	1996	10	0.1(d)	100⅞	CCF	–
LUXEMBOURG FRANCS							
Yamamura Glass **‡	300	1991	5	8⅛	100	Kredietbank Int.	8.125
STERLING							
Nippon Credit Bk ‡	50	1993	7	9¼	101¼	Kleinwort Benson	8.878
Ind. Bk Japan ‡	50	1991	5	9⅛	101¼	Morgan Grenfell	8.805
Royal Trust Co ‡	25(a)	1991	5	9⅜	100	J. H. Schroder Wagg	9.375
S. Australia Gov. Fin ‡	50	1991	5	9⅛	100½	S.G. Warburg	8.996
Scottish & Newcastle ‡	50	2006	20	9¾	100½	Hill Samuel	9.693
D MARKS							
First Interstate Bk. Crp ‡	100	1996	10	5¾	100¼	CSFB	5.716
Inter American Dev. Bk ‡	250	2001	15	6	100	Deutsche Bank	6.000
EIB ‡	150	1998	12	5½	99	Dresdner Bank	5.617
ECUs							
Banque Paribas ‡	200(c)	1994	8	7¼	100⅝	Banque Paribas Cap.Mkts	7.136
Rabobank Ned. ‡	75	1996	10	7½	101	SBCI	7.355
YEN							
Dow Chemical ‡	25bn	2001	15	6⅜	101¼	Nomura Int.	6.244
Household Fin. Corp ‡	18bn	1996	10	6	101¾	Mitsubishi Fin. Int.	5.819
DANISH KRONER							
Sweden ‡	500	1993	7	8⅜	100	Privatbanken	8.375
GUILDERS							
World Bank ‡	200	2006	20	6¾	100½	ABN	6.704

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. (a) plus £25m tap. (b) 3m Libid & 15b.p. (c) plus £50m tap. (d) Margin over medium term state notes, with fixed rate option. Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

Sealing systems behind 20% advance at Laird

Laird Group, the diversified engineering concern, achieved a 20 per cent gain in pre-tax profits in 1985 thanks mainly to a 43 per cent advance from its growing sealing systems division. Profits from the group's traditional transport systems were down by £1m.

The group profit comes out at a record £28.98m, compared with £24.1m and maintains the growth shown at midway.

The dividend is raised from 5.5p net per 25p share to 6p, with a final of 3.6p.

The directors point out that during the year acquisitions were made at a total cost of £10.4m. These accounted for turnover of £23.4m and profit (before tax interest and expenses) of £2.3m.

The group turnover and profit before tax is split as to: sealing systems £100.4m (£71.42m) and £13.78m (£9.61m); service industries £95.18m (£87.91m) and £6.24m (£5.42m); specialist engineering £100.1m (£78.33m) and £3.79m (£3.42m); transport systems £79.32m (£80.74m) and £4.55m (£5.54m).

After providing for tax of £9.36m (£7.88m) and extraordinary items of £378,000 (£768,000) the available profit for the year comes out at £19.24m compared with £15.47m. Earnings per share are 24.9p (20.7p).

Net assets per share are shown at 135.8p (137.9p).

● comment

With its interim results the Laird Group finally succeeded in convincing the City that it has diversified away from its rapidly shrinking roots in transport. Judging by transport's prospects for 1986—when the end of the train contracts for London and Hong Kong will reduce profits to £1m or £2m—the diversification was timely. Luckily for Laird the new areas of activity should compensate for transport's decline, although the City can expect little more than £31m this year. Sealants should benefit from the first full year of the recent French acquisitions and continued growth from West Germany. Services may suffer slightly in the US, although Laird Catering's prospects are healthy. While special engineering should still be dogged by the tristes of New York Drill Twist. Laird's shares have soared in the last six months, transforming its p/e from single figures to a prospective 11.5 at 323p, but the City is biding its time until the company puts its cashpile, now £30m or so, to good use before boosting the shares again. The company is well aware of the problem and is scouting about for likely investments, but its fifth core division is likely to emerge in 1987 rather than 1986.

Key talks at Standard Chartered tomorrow

By David Lascelles, Banking Correspondent

THE board of Standard Chartered Bank will consider the £1.17bn takeover proposal from Lloyds Bank tomorrow according to a spokesman for the bank last night.

The meeting is the regular monthly get-together of the board, and was not convened specially in the light of the bid. There will be no further statement from the bank until then.

The spokesman described as "speculative" a suggestion in the weekend press that BAT Industries had contacted Standard Chartered about the possibilities of a counter-bid. "There is no evidence for it," he said. A spokesman at BAT said the company did not comment on market rumours.

Standard has rejected Lloyds' approach as "unwelcome" because it is in the form of a takeover that would absorb Standard, rather than a merger that would preserve some of its independent identity.

City analysts also point out that the proposed price of 750p per share is below Standard Chartered's net asset value of 795p, and that Lloyds may have to increase it or face a rival bid.

Campari bid lapses

A takeover bid for Campari International, the sports equipment group, by Swedish businessman Aake Nordin, has lapsed after receiving acceptances covering 1.47 per cent of the equity. The bid was not intended to succeed, and was only made to comply with the demands of the Takeover Code when Mr Nordin upped his stake

Wyndham fails

Wyndham Group, the engineering, property and financial services concern, has failed with its £1.89m takeover bid for John Williams of Cardiff, a steel stockholder and founder. By Friday's closing date the offer had been accepted by the holders of 26.1 per cent of Williams' ordinary shares, raising Wyndham's control to just 42.7 per cent.

Guinness sells top hotel to Air France for £31m

BY DAVID GOODHART

Guinness yesterday hailed its sale of the recently refurbished New Piccadilly Hotel to Air France as just one part of an extended collaborative venture between the two companies.

The hotel, which has been sold to the Air France subsidiary, Societe des Hotels Meridien, for £31m, is one of four in the Gleneagles Group which Guinness acquired last year as part of its £360m bid for Arthur Bell, the distiller.

Mr Simon Duffy, Guinness's director of corporate finance, accepted that the deal would help to reduce Guinness's debt and "get the balance sheet into better shape" but also stressed the wider marketing benefits.

The sale agreement specifies that Champneys, Guinness's health-care subsidiary, will retain a 20-year management contract to operate the health club within the New Piccadilly. Similar deals are being discussed at two other Meridien hotels.

In addition, Bell's whisky will be promoted in Meridien's 50 hotels throughout the world. Air France already has an arrangement with Bell's

Mr Duffy said that it was not part of the Guinness strategy to run hotels in London, but that no more of the Gleneagles Group hotels would be sold. "We are in the business of brand names and the Gleneagles Hotel itself is a particularly strong one."

It is understood that three other hotel groups, including the Marriott Corporation, were interested in acquiring the New Piccadilly.

● As Guinness's battle with Argyll for control of Distillers enters its penultimate week, the brewing group announced that by last Friday's second closing date for its offer, shareholders representing 9 per cent of the share capital had accepted its offer.

That is an improvement of 6 per cent on the first round of acceptances and takes the total held by Guinness to 19.5 per cent. Guinness indicated that about half of the 9 per cent of acceptances had come from institutional holders. Both bids now close on April 18.

UB decides today on appeal to Takeover Panel

MORGAN GRENFELL, financial advisers to United Biscuits in its agreed £2.7bn bid for Imperial Group, will today decide whether to appeal to the Takeover Panel over Hanson Trust's interpretation of the value of its rival bid for the group.

Imperial believes that the value of UB's offer is now almost identical to Hanson's, and that most recent calculations have been over-valuing the Hanson offer by about 10p.

Imperial alleges that the formula for working out the nominal value of Hanson's unissued convertible stock has been consistently over-stating its value by comparison with the performance of the convertibles actually in issue.

But Imperial also stresses that small differences in the value of the bid should not become the determining factor for its shareholders in choosing between the two offers in the next few days.

Mr Geoffrey Kent, chairman of Imperial Group, said yesterday: "We believe that the commercial and industrial logic of the combined businesses of United Biscuits and Imperial Group is irresistible for shareholders and employees."

McKechnie bid beaten off by Tonks

By David Goodhart

McKechnie Brothers' £65m hostile bid for Newman Tonks has been comfortably beaten off by the hardware branded products group.

By the final close of its offer yesterday afternoon, McKechnie had received acceptances from the holders of only 3.24 per cent of the Newman share capital. Taking its own holding into account, McKechnie's stake therefore totals 18.21 per cent.

But Dr Jim Butler, the McKechnie chairman, hinted that other takeovers—agreed if possible—were being contemplated. "There are other fish in the sea. We shall continue to pursue opportunities for accelerating McKechnie's profitable growth," he said. McKechnie is expected to sell its Newman Tonks state in the near future.

Mr Edward Barnes, the Newman Tonks' managing director, said: "We are delighted at the overwhelming level of support from our shareholders. We now look forward to being able to devote all our attention to running the business."

T & N cuts S. African stake

BY ALICE RAWSTHORN

Turner & Newall, the industrial materials manufacturer, is the latest British company to reduce investment in South Africa with the announcement that it is selling part of its stake in its South African subsidiary in order to reduce reliance on South African earnings and to improve its image with the stock market.

The company's holding in Turner & Newall Holdings, the South African subsidiary which manufactures friction materials and automotive gaskets, will be reduced from 78 per cent to 51 per cent through a flotation on the Johannesburg stock exchange.

The Old Mutual, South Africa's largest insurance group, has held a 20 per cent stake in TNH since 1977.

Mr M. C. Pretorius, the South African chief executive, said that the British parent had been planning to reduce its interest since 1983, but delayed because of a profit dip in that year when new operations were commissioned.

It is "an unfortunate coincidence that our decision should come at a time when other foreign controlled companies are experiencing anti-apartheid pressures," he said.

Although the subsidiary has expanded rapidly since Turner & Newall's initial investment in the 1960s, the volatility of the South African economy has detracted from its contribution.

At its peak in 1984, for example, South Africa contributed £6m or 29 per cent of group profits. In 1985, although local currency profits increased by 25 per cent South Africa contributed just £5m or 13 per cent of group profits, because of the devaluation of the rand.

Given that Turner & Newall is eager to improve its standing on the stock market, having recovered from near-collapse in the early 1980s, such heavy reliance on South African earnings compounds its image problem.

Turner & Newall expects to generate £4m from the flotation, which will be ploughed into acquisitions. According to Mr Hope the company is actively looking for acquisition opportunities within its established fields in Europe and the US.

The company's shares fell by 3p to 218p on Friday.

Premier chief demands seat on Goal board

BY DOMINIC LAWSON

MR ROLAND Shaw, chairman of Premier Consolidated Oilfields, is demanding a seat on the board of fellow oil explorer Goal Petroleum. Premier recently acquired 400,000 Goal shares, raising its stake to 12 per cent.

At the end of last month Goal agreed to acquire Third Triton Pertoleum for 6.5m shares and an undisclosed cash sum. Premier is believed to be concerned to ensure that it will not be surprised by any future moves by Goal.

Mr Shaw said that he wanted to revitalise Goal which, he said, "has many very useful assets, even at this terrible oil price." In particular it has a 5 per cent stake in the giant onshore Wytch Farm oilfield. Premier's main asset is a 12.5 per cent stake in the same field.

Premier is not thought to have the resources to mount a full takeover for Goal, which at yesterday's close of 36p, down 2p, is capitalised at about £28m. But Mr Shaw said that there were many other options.

It seems likely that Mr Shaw's move is not entirely welcome. Goal has not given seats on its board to other major investors, including Norwich Union Hydrocarbons which has a 29.9 per cent stake.

Premier said that it had gained a 1.3m acre tract to explore for oil and gas offshore Papua, New Guinea. It is the company's second big move into the Far East in recent weeks. In February it acquired a 2.3m acre tract in the Gulf of Thailand.

See Men & Matters

OCL at £70m but warns of lower earnings this year

BY ANDREW FISHER, SHIPPING CORRESPONDENT

Overseas Containers (OCL), cargo liner concern, has announced a rise in pre-tax profits from £55.6m to £70.2m for the year ended November 31 1985, but repeated its warning that 1986 would produce lower earnings.

"OCL cannot ultimately escape the brute force of the marketplace, however nimble we may seek to be," said Mr Kerry St Johnston, the chairman, "and we expect 1986 profits to suffer accordingly."

The result for the financial year to November 31 1985, was in line with analysts' expectations. OCL is owned by Peninsular & Oriental Steam Navigation, Ocean Transport and Trading, and British and Commonwealth Shipping.

OCL has been faced on its main routes between Europe and Asia with increasing competition and falling freight rates as rival tonnage has come onto the market, notably from United States Lines and Evergreen of Taiwan.

But Mr St Johnston said "we expect, nevertheless, to make a respectable profit." Cash flow should remain healthy and OCL would benefit from its cost-cutting, debt reduction, and fleet rationalisation policies.

The strong dollar early last year helped cash flow, and the group cut interest payments by repaying debt early. Group debt was down from £108m to £70m, and interest charges from £18.9m to £8.6m.

Attributable profits totalled £38.8m against a 1983-84 loss of £9.7m caused by extra tax charges.

Abaco denial

Abaco, the financial services group, said that it had received no approaches for a takeover.

Rumours of an imminent bid led to Abaco's shares soaring from 37p at the end of last week to 50p on Thursday night. After yesterday's announcement, the shares closed unchanged at 50p.

In February the British and Commonwealth Shipping Group increased its stake in Abaco from 10 to 16.5 per cent but said it had no intention of gaining control of the group.

FINANCIAL TIMES STOCK INDICES

	April 4	April 3	April 2	April 1	Mar. 27	Mar. 26	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	91.47	91.93	92.34	92.55	91.87	91.12	93.55	80.39	127.4	49.18
Fixed Interest	95.97	96.20	96.25	96.02	95.50	94.86	96.25	86.55	150.4	50.53
Ordinary	1430.9	1425.9	1419.4	1402.2	1390.?	1380.4	1425.9	1094.3	1425.9	49.4
Gold Mines	290.8	290.5	282.6	279.9	280.9	291.9	337.0	257.5	734.7	43.5
FT-Act All-Share	832.36	832.39	826.00	818.22	810.48	803.86	832.39	664.42	832.39	61.92
FT-SE100	1709.7	1717.6	1702.9	1684.0	1668.8	1653.9	1717.6	1370.1	1717.6	986.9

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price p	+or-	Net div.	Times covered	Gross yield	P/E ratio
160	F.P.	[illegible]	194	180	BPP Hldgs. 10p	185	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	140	132	Chillington Corp.	132	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	76	65	Do. Defd.	76	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
165	F.P.	[illegible]	195	180	Gold Greenlees T. 5p	190	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	[illegible]	166	136	Jarvis Porter 10p	165	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
120	F.P.	[illegible]	140	134	Menvier-Swain 5p	135	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
145	F.P.	[illegible]	177	155	PPL 10p	165	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	800	720	Bodime 5p	720	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	95	95	Spice 5p	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
215	F.P.	[illegible]	234	215	Templeton Galbraith	224	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	[illegible]	120	110	[illegible]	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	145	118	WBL 5p	118	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	ASDA Prop. 10¾% 1st Mt. Deb. 2011	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Aberdeen City 10¼% Red. 2011	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	American Medical Int. 4¼% Uns. Ln. 2011	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Land 10⅛% 1st Mort. Deb. 1996	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Chillington 9½% Cum. Red. Pref.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Electron-ics 6% Cnv. Cum. Red. Prf.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Glass Glover 6% Cum. Cnv. Red. Pref.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Greenall Whitley 8.5% Cum. Red. Pref.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hampton Tst. 11¼% 1st Mort. Deb. 2012	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Inter-Am Dev Bk 9⅞% Uns Ln 2015	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Morceau 9% Conv. Uns. Ln. 2000	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nationwide Bldg. Soc. 12¾%	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. 10⅛% 5/4/87	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	S.E. 10½% Mort. Deb. 2016	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Ward White Cnv. Prf.	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price p	+or-
140	Nil	[illegible]	28pm	25pm	[illegible]	28pm	[illegible]
2 0	Nil	[illegible]	70pm	65pm	Assoc. Newspapers	65pm	[illegible]
140	Nil	18/4	20pm	18pm	Crest Nicholson 10p	18pm	[illegible]
200	F.P.	18/4	275	265	Cullens Hldgs. 10p	275	[illegible]
807	Nil	[illegible]	98pm	85pm	Greycoat 10p	98pm	[illegible]
150	Nil	[illegible]	60pm	52pm	Hayward Williams	54pm	[illegible]
[illegible]	Nil	[illegible]	44pm	33pm	Jacobs (W.R.)	33pm	[illegible]
85	Nil	[illegible]	17pm	15pm	Martin (A.) 5p	15pm	[illegible]
63	Nil	[illegible]	10pm	10pm	Pentos	10pm	[illegible]
100	Nil	[illegible]	20pm	16pm	Thomson T-Line	16pm	[illegible]
11	F.P.	[illegible]	[illegible]	[illegible]	Tranwood 5p	[illegible]	[illegible]
70	Nil	[illegible]	75pm	60pm	[illegible]	60pm	[illegible]
485	Nil	[illegible]	156pm	136pm	Wolseley-Hughes	156pm	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and yield based on prospectus or other official estimates for 1986. M Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. r Indicated dividend: cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. † Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ¶¶ Introduction. * Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶ Issued in connection with reorganisation, merger or takeover. ‡‡ Allotment letters. ◆ Unlisted securities market. ¤ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
AE	May 9	Interim 2.6	*Laporte Inds	Apr 17	Final 5.55
Akroyd & Smithers	May 7	Interim 4.0	*Laing (J.)	Apr 10	Final 4.25
BCI	Apr 25	Final 14.0	Low (Wm)	Apr 19	Interim 4.0
BPCC	Apr 17	Final 8.0	Marks & Spencer	May 7	Final 2.32
*Bank of Scotland	Apr 23	Final 8.25	*Mowlem (J.)	Apr 10	Final 3.75
Bilton (P.)	Apr 22	Final 5.6	NEI	Apr 17	Final 3.6
*Bowater	Apr 15	Final 6.0	*Pentland	Apr 17	Final 2.1
British Home Stores	May 7	Final 6.0	RMC	Apr 17	Final 8.6
*Brixton Estate	Apr 17	Final 3.05	*Rio Tinto Zinc	Apr 9	Final 13.5
*Burmah Oil	Apr 10	Final 7.25	Royal Bank of Scotland	May 9	Interim 3.6
*Cookson	Apr 10	Final 8.25	*Rugby Portland Cement	Apr 7	Final 3.3
Costain	May 8	Final 9.0	Samuel Props	Apr 25	Interim 1.5
Esso	Apr 17	Final 2.1	Simon Engineering	Apr 29	Final 5.5
European Ferries	May 8	Final 3.2	*Smiths Inds	Apr 9	Interim 1.5
*Evered	Apr 10	Final 1.8	Staffs Potts	Apr 28	Interim 1.6
Flight Refuelling	Apr 28	Final 2.025	Stakis	May 9	Interim 0.4
Fosseco	May 1	Final 4.7	*Standard Chartered	Mar 25	Final 19.0
*Glaxo	Apr 15	Interim 6.0	Tarmac	Apr 30	Final 12.0
*Glynwed Intl	Apr 7	Final 6.0	*Taylor Woodrow	Apr 15	Final 11.0
*Hall (Matthew)	Apr 16	Final 6.625	Travis and Arnold	Apr 15	Final 5.67
Hammerson Prop	Apr 19	Final 6.5	UEI	May 9	Final 3.25
Harris Queensway	Apr 18	Final 2.75	Wardle Storeys	May 9	Interim 1.7
*Hawker Siddeley	Apr 10	Final 7.7	Ward White	Apr 18	Final 4.0
Hepworth (J.)	Apr 18	Interim 1.0	Wheatsoe	May 9	Final 5.5
*Higgs and Hill	Apr 16	Final 7.8	*Wimpey (G.)	Apr 24	Final 2.4
Inchcape	May 2	Final 11.0			
*Kwik Save	Apr 18	Interim 1.4			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Share stakes

CHANGES in company share stakes announced over the past week include:

Consultants (Computer and Financial). Director M. Fryer-Kelsey disposed of 10,000 ordinary on March 1.

American Trust. Director Mr F. J. Stewart, as trustee, sold 12,560 ordinary at 146p on March 27.

Capital Gearing Trust. Director Lt Col H. C. E. Harding sold 9,700 shares and directors Major G. W. C. Harding's non-beneficial holding has been reduced by 11,700 shares; 31,376 shares have been transferred from Capel-Cure Myers "ID" account to the children of Major Harding.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim: Memory Computer.

Finals: Aldcorn International, Gaskell Broadloom, Glynwed International, Hundleigh Technology, Marlarlane Group, Newman, More O'Ferrall, Pentland Industries, Rugby Portland Cement, Scottish Television, Wm. Connolly.

FUTURE DATES

Finals—

Brantons (Musselburgh)	Apr 18
Cory (Horace)	Apr 17
Cowie (T.)	Apr 16
Gee (Cecil)	Apr 29
Kwik-Fit (Tyres & Exhausts)	Apr 16
Toye	Apr 15

Over-the-Counter Market

Capitalisation £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
4,908	Ass. Brit. Ind. Ord.	132xd	[illegible]	6.1	7.5	[illegible]	[illegible]
4,168	Ass. Brit. Ind. CULS	138	[illegible]	10.0	7.2	[illegible]	[illegible]
878	Airsprung Group	72	[illegible]	6.1	8.5	12.0	15.7
[illegible]	Armitage and Rhodes	35	[illegible]	4.3	12.3	4.3	6.2
[illegible]	Bardon Hill	290	[illegible]	5.1	1.8	23.5	29.1
3,193	Bray Technologies	58	+2	3.9	6.7	7.1	8.2
483	CCL Ordinary	125	[illegible]	12.0	9.6	[illegible]	[illegible]
1,236	CCL 11pc Conv. Pf.	90	[illegible]	15.7	17.4	[illegible]	[illegible]
8,819	Carborundum Ord.	147	[illegible]	4.6	3.1	13.3	11.4
637	Carborundum 7.5pc Pf.	91	[illegible]	10.7	11.8	[illegible]	[illegible]
4,205	Deborah Services	59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4,045	Fredrick Parker Group	86	[illegible]	7.0	12.7	8.7	7.4
2,097	George Blair	122	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2,048	Ind. Precision Castings	58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13,224	Isis Group	165	+1	3.0	4.8	16.4	13.7
6,201	Jackson Group	125	[illegible]	5.0	4.0	22.5	18.4
47,808	James Burrough	121	[illegible]	5.5	4.5	8.1	8.1
3,387	James Burrough 9pcPf.	97xd	[illegible]	12.9	13.3	[illegible]	[illegible]
5,557	John Howard and Co.	61	[illegible]	5.0	8.2	4.8	7.8
35,000	Minihouse Holding NV	1070	-50	8.3	0.8	48.7	44.4
2,010	Robert Jenkins	180	[illegible]	[illegible]	8.1	20.0	[illegible]
1,610	Scruttons "A"	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1,684	Torday and Carlisle	69	[illegible]	5.0	7.2	3.5	6.5
1,498	Travian Holdings	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8,221	Unilock Holdings	29	+2	7.9	2.4	8.8	9.1
22,432	Walter Alexander	175	+6	8.6	4.9	9.9	12.1
4,488	W. S. Yeates	200	[illegible]	17.4	8.7	6.7	9.4

INTL. APPOINTMENTS

Reshuffle at Japanese MOF

BY JUREK MARTIN IN TOKYO

MR TOYOO GYOHTEN, one of the leading internationalists in the Japanese bureaucracy, is to assume the influential position of Deputy Finance Minister for international affairs in June.

He will succeed Mr Tomomitsu Oba, who has held the post for the past three years and who is retiring. In another important change, Mr Yoshihiko Yoshino will become vice minister, under Mr Noboru Takeshita, the Finance Minister.

Mr Gyohten, who is 55, is currently director general of MOF's international finance bureau and already a powerful voice in policy-making. He has long been considered the favourite to take over from Mr Oba.

A career MOF man, Mr Gyohten went to Tokyo University, the training ground for Japan's civil service elite, and Princeton in the US. His English is flawless.

In his current post, he has pushed hard for the creation of an offshore financial centre in Tokyo, along New York lines. He has also been a strong advocate of the importance of encouraging wider use of the yen in international markets.

Although the international school inside MOF has been gaining strength in recent years, the Ministry remains a delicate balance of internal competing forces. Mr Gyohten's rise, and that of Mr Oba before him, does not mean that the more conservative, inward-looking economic managers have been routed.

Litigation post at Price Waterhouse

By Our Financial Staff

MR PETER B. FRANK has been appointed Price Waterhouse national director of litigation consulting services. Mr Joseph E. Connor, chairman and senior partner of Price Waterhouse, the international accountants, says: "Litigation in the US is increasing in number and complexity. Mr Frank's extensive background and experience will enhance our efforts to provide litigation services."

Mr Peter B. Frank: intensifying Price Waterhouse's litigation efforts

Mr Frank will direct Price Waterhouse Litigation consulting services from the firm's offices in Los Angeles.

Mr Frank joined Price Waterhouse in 1966 and was admitted to partnership in 1977.

Price Waterhouse employing some 28,000, has 380 offices around the world.

Coleco officer to quit

BY PAUL TAYLOR IN NEW YORK

COLECO's chief financial officer, Mr David Ruggles, said yesterday that he is "in the process of resigning" from the US toys and Cabbage Patch dolls group.

Mr Ruggles, who joined the West Hartford, Connecticut-based group from Pneumo Corporation, has been credited with helping turn the once ailing group around by wiping out $100m in short-term bank loans and strengthening Coleco's balance sheet. Last year the group bounced back into profit following losses, mainly attributable to its now discontinued Adam Home Computer system.

In a brief statement, Mr Michael Schwefel, Coleco's general counsel, said Mr Ruggles planned resignation resulted from "bad chemistry. We are hands-on people. Dave wasn't of that nature." The two Coleco officers added that they were negotiating a severance deal.

Alan Ladd Jr elected MGM head

TURNER BROADCASTING System has appointed Mr Alan Ladd, Jr chairman and chief executive officer of Metro-Goldwyn-Mayer Entertainment Company, reports Reuter from Culver City, California.

This follows the completion of Turner Broadcasting's acquisition of MGM/UA Entertainment.

As part of the transaction, United Artists' stock was sold to Tracinda Corporation, which in turn sold the stock to MGM/UA shareholders.

Mr Ladd had been president and chief operating officer of MGM/UA.

Turner adds that, with the conclusion of the acquisition, funds earmarked for theatrical film-making have become available immediately, allowing Metro-Goldwyn-Mayer uninterrupted production activities.

* * *

CARRE, ORBAN and Partners, the international management consultants, has appointed Mr Luigi di Paola a partner in its Brussels office.

Bahrain Bank international role

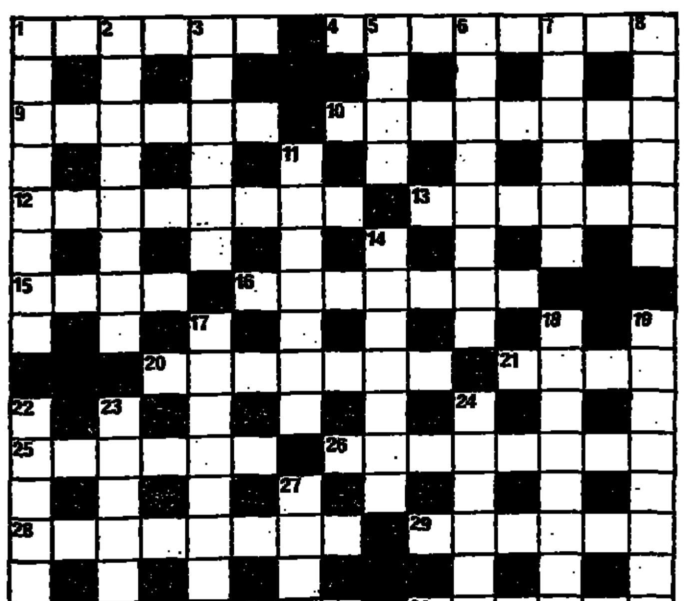
BY OUR FINANCIAL STAFF

BAHRAIN Middle East Bank (BMB) has announced the appointment of Mr Jean Francois Seznec as senior vice-president and senior representative for the US, Canada and Latin America, based in New York. BMB is a Bahrain-registered offshore bank which also has representative offices in London and Hong Kong and a trade and investment banking affiliate in Geneva.

Mr Seznec has wide experience of the Middle East and particularly of the Saudi Arabian market. After joining Chase Manhattan Bank in 1973 he was seconded to the Riyadh-based Saudi International Development Fund for six years.

F.T. CROSSWORD PUZZLE No. 5,990

DINMUTZ



ACROSS

1 Willow, for example, as rocket-site? (6)
4 Summary of plot—"Arsenic—and nothing besides—mixed" (8)
9 Kind of medicine for bed-case losing heart? (6)
10 Many revs make small cars go (8)
12 Crotchety piece of music—topping piece? (8)
13 Said to support Mrs Pooter (6)
15 Outbreak of rain in the country (4)
16 Laid back etc., in a way, this form of language (7)
20 Samoyed to wander in the distant future (7)
21 Depression before a soap-opera (4)
25 Nothing clear about this authority (6)
26 Early warning sent out by Air Force, say? (8)
28 Careful, though brusque (8)
29 Clydeside Moll? (6)
30 Such elevation shows adult tie is broken (8)
31 Uncouth fellow got a look in (6)

DOWN

1 China cup made to friar's order (8)
2 Fixed allowance a pound? That is realistic! (8)
3 Ansermet's name given as pledge, say (6)
5 Coffee ingredient Circle Line left out—that is stylish! (4)
6 Bothersome person is in the shade (8)
7 Sharp reply used by distillers (6)
8 Colourless element found in tents (6)
11 10, perhaps, making a case for television (7)
14 Something fishy left in a straw hat (7)
17 Solid fuel left for China (8)
18 Way of talking in bars? (8)
19 Sort of artist whose work is intended for the Walker Gallery? (8)
22 Appealing Italian barmaid? (6)
23 Bizarre exit? (3,3)
24 This lady is not from Toulouse, nor Auch—yet she is hiding there! (6)
27 Silver-headed editor is getting on (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

SAS changes structure of management

By Our Financial Staff

SCANDINAVIAN Airlines System has changed its management structure, to become headed by a president and vice president.

Mr Jan Carlzon, the SAS group president and chief executive, is also to be chairman of the airline executive committee; Mr Lars Bergvall has been appointed executive vice president and chief operating officer of the airline, with Mr Bengt Hägglund becoming his deputy and airline vice president.

Mr Carlzon remains president and chief executive of the group. The group management will include three executive vice presidents representing each of the countries in which SAS is the national carrier — Denmark, Norway and Sweden. Mr Frede Ahlgreen Eriksen represents Denmark; Mr Helge Lindberg Norway; and Mr Per-Axel Brommesson Sweden.

Mr Nils Molander, executive vice president for finance (planning and control), has also been named board chairman of the SAS distribution companies — Travel Management Group, Business Travel Systems, and Diners Club Nordic.

The appointment of an independent management for the airline division will relieve Mr Carlzon and other members of the group management from daily operational responsibility of the airline.

Mitsukoshi elects chief

MITSUKOSHI, the Japanese department store concern, has appointed Mr Yoshiaki Sakakura, 64, its managing director, as president, in succession to Mr Akira Ichihara, 72, reports Kyodo from Tokyo.

Mr Ichihara, who took over the presidency of the so-called "Japanese Harrod's" after the former president, Mr Shigeru Okada was dismissed, following a scandal, in September, 1982, has been promoted to chairman. Mr Ichihara has announced that he is to be appointed chairman of The Japan Department Stores Association at a meeting on May 16.

Mr Sakakura joined Mitsukoshi in 1946, after graduating from Keio University.

Mitsukoshi recorded sales of about Y570bn ($3.1bn) in its 1985 business year, to February, near to the record Y586bn reached in 1981, and made pre-tax profits of Y6bn ($33m).

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]				

AUTHORISED UNIT TRUSTS & INSURANCES

Sentinel Funds Mngmnt Ltd
30 City Road, London EC1Y 2AY 01-628 6626

American Majors	70.9	75.9	-0.4	1.12
Amer Tech & Genl Fd.	106.7	114.2	-0.3	0.55
European Growth	29.1	31.1		0.03
European Income	32.4	34.7	-0.4	5.00
Exempt	512.03	545.8		2.03
Jatnl Growth Fd	26.3	28.1	+0.1	0.13
International Income	57.4	61.4	-0.3	4.96
Jap Tech & Genl	81.3	87.0	-0.2	0.01
Pacific Fund	144.4	154.5	+1.5	0.01
Secure Income Fd	176.6	189.0	+1.0	4.54
Small Co's Fd.	37.7	40.3		1.45
Special Sits	214.5	229.5		2.18
UK General Fund	34.6	37.0	+0.6	2.32

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 031 225 2552

Income Units	265.4	284.5	-0.6	2.84
Accum Units	293.7	314.7	-0.8	2.84

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	221.1	235.9	-0.5	2.16
(Accum. Units)	248.2	264.5	-0.5	2.16
(Withdrawal Units)	160.0	170.5	-0.4	2.16
Australian Fund	123.3	131.3	+1.9	1.01
(Accum. Units)	124.6	132.8	+2.0	1.01
British Fund	580.4	618.2	+2.1	4.30
(Accum. Units)	781.7	832.7	+2.8	4.30
European Fund	256.3	273.0	+3.0	0.90
(Accum. Units)	264.8	282.1	+3.3	0.90
Japan Fund	253.1	269.6	+1.5	0.39
(Accum. Units)	254.3	271.6	+1.6	0.39
Sams PPP	157.2	165.5		

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst.	407.7	433.7	-1.3	1.90
North America	57.9	61.6	+0.2	1.11
Far East	64.0	68.0	+0.5	0.34

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	31.6	33.6	+0.2	1.4
American Income Acc.	30.7	32.7		5.5
American Income Inc.	30.3	32.3		5.5
European Growth Acc.	46.7	49.7	+0.4	0.8
Far East Growth Acc.	35.7	38.0	-0.1	0.4
Int. Growth Acc.	32.2	34.3	+0.2	2.0
Japan Growth Acc.	44.4	47.2	-0.1	0.1
UK Growth Acc	37.0	39.4	+0.1	2.2
UK Income Acc.	32.6	34.7	+0.3	5.3
UK Income Inc	31.9	33.9	+0.3	5.3
Managed Growth Acc	38.2	37.0	-3.9	3.5
Managed High Yield Inc	45.2	48.1	-0.7	7.0
Managed Income Inc	34.8	37.0	+0.3	3.4

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4OE 01-833 2903

Life Funds (Accumulator Units)

Squirrel	10.37	10.92	
Bear	11.25	11.85	
Owl	11.91	12.54	
Bull	12.41	13.07	
Stag	11.94	12.57	
Gilt Edged		10.81	
Deposit		9.56	

Pension Funds (Accumulator Units)

Squirrel	10.90	11.48	
Bear	12.05	12.69	
Owl	12.91	13.59	
Bull	13.68	14.41	
Stag	13.07	13.76	
Gilt-Edged		10.77	
Deposit		9.60	

Exempt Approved

Mixed Managed	131.58	134.27	

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Equity Fd. Acc (z)	717.2	754.9	+11.4
European Fd Accum(z)	186.7	196.5	-1.3
Fixed Int. Acc (z)	303.5	319.9	-0.5
Gtd Money Fd. Ac (z)	195.1	205.3	+0.1
Intl Man Fd Acm (z)	289.0	304.2	-1.7
Intl Fxd Int Fd Acc(z)	173.9	182.9	-0.9
Japan Fund(z)	204.2	214.9	-2.4
Nth American Fd Acc(z)	160.9	169.3	
Prop Fd Acc (z)	197.8	208.2	
Multiple Inv Acc(z)	498.2	524.3	+3.4

Pension Funds

Eq Pen Fd Acc(z)	1300.2	1368.6	+29.5
Euro Fd Acc(z)	233.3	245.5	-2.1
Fixed Int. Acc (z)	567.8	597.6	-1.2
Gt Money Pn Acc(z)	313.6	330.1	+0.1
Intl Man Fd(z)	403.5	424.7	-3.3
Jap Pen Fd Acc(z)	259.6	273.2	-4.0
N Am Pn Fd Acc(z)	190.0	200.0	-0.1
Property(z)	288.3	303.4	
Multi Inv Pen. Acc(z)	923.2	971.8	+9.1

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

Fixed Int. Dep. Acc	215.5	226.9
Equity Acc	635.9	669.4
Property Acc	310.6	327.0
Far East Acc	126.4	133.1
Managed Cap	311.9	325.4
Managed Acc	503.7	530.3
O'seas Earnings Acc.	426.5	449.0
Gilt Edged Acc.	269.8	284.0
American Equity Acc	356.8	375.6
American Man Acc	169.5	178.5

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg
Bond Fund NAV $16.52

World Wide Growth Management
10a Boulevard Royal, Luxembourg
Worldwide Gth Fd $15.96

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
[illegible] $15.57
Dynamic Growth Fd $14.60

Zero Bond Fund Limited
PO Box 256, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $11.54 12.55

Money Market Trust Funds

The Charities Deposit Fund
77 London Wall, London EC2N 1DB 01-588 1815
Deposit 11.55

The Money Market Trust
63 Queen Victoria St, EC4N 4ST 01-236 0952
Call Fund 11.55 8.63 12.67 Mth
7-day Fund 11.81 9.03 12.96 Mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE 01-236 1425
Call Fund 11.32 8.56 12.34 6-Mth
7 day Fund 11.56 9.66 12.64 6-Mth
Dollar 6.21 - 6-Mth

Money Market Bank Accounts

Adam & Co. plc
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8464
Full Service Chq Acc 11.25 5.90

Aitken Hume
30 City Road, EC1Y 2AY 01-638 6070
Tax Paid Acc 11.00 8.22 12.12 Qtr
Min Int Chq 11.00 8.22 12.20 Mth

Allied Arab Bank Ltd
97 101 Cannon St, London EC4N 5AD 01-283 9111
HIBCA 12.19 9.04 13.28 Mth

Bank of Scotland
38 Threadneedle St, EC2P 2EH 01 628 8060
Money Mkt Cheque Acc 10.75 8.03 11.74 Mth

Barclays Prime Account
PO Box 125, Northampton 0604 252891
High Int Cheque 10.75 8.06 11.78 Qtr

Britannia Investment Services Ltd.
74-78 Finsbury Pavement EC2A 1JD 01-588 2777
Cater Allen 11.03 8.22 12.1993 Qtr

Charterhouse Japhet plc
1 Paternoster Row, EC4M 7DH. 01-248 3999

[illegible]

compounded annual rate. Int Cr: frequency interest credited

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p	Marks & Spencer	18
Allied-Lyons	28	Midland Bk	44
BAT	38	NEI	11
BOC Grp	32	Nat West Bk	70
BSR	14	P & O Dfd	45
BTR	45	Plessey	20
Babcock	20	Polly Peck	16
Barclays	45	Racal Elect	17
Beecham	32	RHM	20
Blue Circle	55	Rank Org Ord	48
Boots	26	Reed Intnl	75
Bowater	30	Sears	12
Brit Aerospace	48	TI	42
Brit Telecom	17	Tesco	30
Brown (J.)	3	Thorn EMI	35
Burton Ord	32	Trust Houses	12
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	19
Distillers	52	**Property**	
FNFC	15	Brit Land	16
Gen Accident	75	Land Sec	30
Gen Electric	17	MEPC	32
Glaxo	100	Peachey	24
Grand Met	34	Samuel Prop	18
GUS A	75	**Oils**	
Guardian	75	Brit Oil & Min	$2\frac{1}{2}$
GKN	32	Brit Petroleum	49
Hanson Tst	16	Burmah Oil	30
Hawker Sidd	52	Charterhall	3
ICI	50	Premier	$3\frac{1}{2}$
Imps	28	Shell	55
Jaguar	27	Tricentrol	15
Ladbroke	32	Ultramar	18
Legal & Gen	79	**Mines**	
Lex Service	38	Cons Gold	40
Lloyds Bank	55	Lonrho	25
Lucas Inds	60	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
	"Shorts" (Lives up to Five Years)				
19 Nov 19 May	Treas 3pc 1986	99[illegible]	14.10	3.03	11.16
19 Nov 19 May	Exch. 10½pc 1986	99[illegible]	14.10	10.51	11.47
12Dec 12Jun	Treas 12pc 1986	100[illegible]	5.11	11.99	11.43
10 Jan 10 Jul	Treas 8¼pc 1984-86‡‡	99[illegible]	4.12	8.56	11.40
29 Apr 29 Oct	Exch 14pc 1986	102xd	24.3	13.72	10.29
21 May 21 Nov	Exch 2½pc 1986	96[illegible]	15.10	2.59	8.23
22Jul 22Jan	Exch 13¼pc 1987	102[illegible]	16.12	12.95	10.06
10 Aug 10 Feb	Treas 10½pcCv '87	100[illegible]	6.1	10.23	9.95
24Aug 24Feb	Exch 2½pc 1987	95[illegible]	20.1	2.63	8.23
6Oct 6Apr	Exch 10½pc 1987	100[illegible]xd	3.3	10.45	9.96
1 Nov 1 May	Funding 6½pc '85-87‡‡	97[illegible]xd	25.3	6.69	9.42
12Dec 12Jne	Treas. 10pc 1987	100[illegible]	5.11	9.99	9.90
14Jan 14Jly	Treas 3pc 1987	93[illegible]	9.12	3.21	8.57
3May 3Nov	Treas 12pc 1987	103[illegible]xd	28.3	11.64	9.85
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	97[illegible]	20.12	7.97	9.41
10Nov 10May	Exch 10½pc '88	101[illegible]xd	3.4	10.39	9.62
14Dec 14Jne	Treas 9¾pc Cv 88	100[illegible]	7.11	9.72	9.57
1Jan 1Jul	Transport 3pc '78-88	90	25.11	3.33	7.97
25 Apr 25 Oct	Treas 9½pc '88	99[illegible]xd	19.3	9.55	9.76
22 Aug 22 Feb	Treas 11½pc 1989	104[illegible]	16.1	11.01	9.68
18 Oct 18 Apr	Treas 9½pc Cnv '89	100[illegible]xd	12.3	9.49	9.48
15Nov 15May	Treas 3pc 1989	86[illegible]	9.10	3.46	7.92
14Dec 14Jun	Treas 10½pc 1989	102[illegible]	7.11	10.28	9.67
1Feb 1Aug	Exch 10pc 1989	101	7.12	9.90	9.64
29 Mar 29 Sep	Exch 11pc 1989	104	20.2	10.58	9.60
15 Apr 15 Oct	Treas 5pc 1986-89	89[illegible]xd	10.3	5.59	8.47
15 Mar 15 Nov	Exch 10¼pcCv '89	107[illegible]	—	9.53	7.81
15 Jul 15 Jan	Treas 13pc 1990‡‡	111[illegible]	9.12	11.77	9.43
12 Aug 12 Feb	Exch 11pc 1990‡‡	105	6.1	10.48	9.41
22 Sep 22 Mar	Exch 12½pc 1990	109[illegible]	13.2	11.37	9.43
8 Nov 8 May	Treas 3pc 1990	83[illegible]xd	1.4	3.59	7.76
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	97[illegible]	18.11	8.49	9.06
25 Apr 25 Oct	Treas 10pcCv 1990	102[illegible]xd	19.3	9.74	9.22
22 May 22 Nov	Exch 2½pc 1990	80[illegible]	—	3.12	7.66
10Ja 10Jan	Treas 11¼pc 1991	109[illegible]	4.12	10.74	9.24
	Five to Fifteen Years				
5Oct 5Apr	Funding 5¾pc '87-91‡‡	91[illegible]xd	3.3	6.28	7.72
25Apr 25Oct	Exch 11pc 1991	107[illegible]xd	19.3	10.24	9.27

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

Five to Fifteen Years (cont.) / Over Fifteen Years / Undated / Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Anglo Utd Dev	28	—	c1.05	ϕ	5.4
—	—	♥Colby Res Corp	60	—	—	—	—
Aug	Feb	Cons. Murch 10c.	225	13.1	s20c	3.9	‡
—		♥Ennex Int. Ir10p	32	—	—	—	—
—		Greenwich Res	88	—	—	—	—
Apr	Oct	Hampton Areas 10p	112	23.12	3.75	0.9	4.5
—	—	♥Highwood Res	230	—	—	—	—
Fb Jun Ag	Nv	Homestake Mining $1	£16	30.1	Q20c	—	0.9
—		♥McFinley Red Lake	200	—	—	—	—
—	—	♥Mesto Explorations	220	—	—	—	—
—		♥New Sabina Res C$1	47	—	—	—	—
—		Northgate C$1	222	9.77	—	—	—
Jan	July	RTZ	780	28.10	t20.0	2.8	3.7
Jan	July	Do 9½pcLn '95-2000	£159	28.10	Q9½%	14.0	16.1
—		♥Tara Expln $1	900	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Dealt in under Rule 535(3)
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	112	+2
Craig & Rose £1	£13	
Finlay Pkg 5p	46	−1
Holt (Jos) 25p	770	
IoM Sim £1	76	
IRISH		
Fund 11¼% 1988	£101¼xd	
Nat 9¾% 84/89	£99¼	
Fin 13% 97/02	£122¼	
Arnotts	370	+5
CPI Hldgs	65	
Carroll Inds	188	
Dublin Gas	45	
Hall (R. & H.)	64	
Heiton Hldgs	30	+2
Irish Ropes	67	
Unidare	190	

"Recent Issues" and "Rights" Page 16
(International Edition Page 22)

CONSTRUCTION

£21m orders for Willett

WILLETT, a Trafalgar House Group company based at Mitcham, has won some £21m-worth of contracts, including the HQ and administration building for Fidelity Insurance at Hildenborough, Kent. A series of design-and-construct contracts includes a distribution centre and offices for DAF trucks (GB) at Thame, and a superstore development at New Malden for Trafalgar Brookmount in conjunction with Tesco.

A 50,000 sq ft distribution centre is underway for Beecham Products at St Albans and, among Willett refurbishment contracts, is work at Plymouth, Bristol and Maidenhead for Barclays Bank as well as work on a Grade I listed building at Golden Cross, Oxford, for Whittingham Properties.

*

CONSTRUCTORS TERN, a subsidiary of Consolidated Tern Investments, has the £5.1m contract to build the Dyfed/Powys police headquarters at Carmarthen. Tern Southern, another subsidiary, has been awarded the £1.75m design and build contract for a sports complex at Eastbourne, Sussex.

*

D. T. BULLOCK & CO, Aldridge, has won a £2m contract to modernise 148 married quarters at RAF Newton for the Property Services Agency, and Orbit Housing Association has placed a contract to build sheltered housing at Wigston Rd, Coventry, worth £663,000. For City of Birmingham District Council the company is about to start on an environmental improvement project to 99 houses at Arley Rd and Membury Rd, Saltley, worth £847,000; for Wycombe District Council, improvements to 42 homes at Princes Risborough, value £652,000; and for Halton Borough Council, modernisation of 58 homes at Hale Bank, Widnes, value £535,000.

*

FAIRCLOUGH SCOTLAND has been awarded a £942,000 contract for a diversion to the A835 Tore-Ullapool trunk road at Contin, Ross-shire. The Renfrew-based construction company will build a 60-metre-long two-span reinforced-concrete bridge with single-carriageway approach roads to supersede the old masonry bridge—which is now below standard—over the River Blackwater. Contract completion date is in the autumn of 1987.

*

JAMES LONGLEY & CO has won contracts worth £5m for projects in London, Kent and Surrey. In Wandsworth, SW18, Longley is building a £1m Texas DIY retail store of 50,000 sq ft for Conrad Phoenix Properties and a £1.6m sheltered housing development of 53 flats for the Anchor Housing Association. Work is also underway in Redhill on a £1.9m four-storey office property and two-storey car park for the Lazards Property Unit Trust. In Tunbridge Wells, Longley is building a two-storey pathology laboratory unit and resident medical officer accommodation for the Nuffield Hospital and is refurbishing offices in Mount Ephraim Rd.

Edwardian hotel glories restored in Manchester

FAIRCLOUGH BUILDING has won a big hotel project. Under a contract worth £9m, the company is to reconstruct and refurbish the Midland Hotel in Manchester. A joint-venture partnership between Commercial Union Insurance, the Greater Manchester Council and Holiday Inns UK is funding the project, which will ultimately cost £14.6m with the Department of the Environment contributing £2.2m as an urban development grant. The contract was placed by the Midland Hotel & Conference Centre, the partnership company.

Fairclough will refurbish the interior to provide 310 air-conditioned bedrooms and suites. All the public rooms, such as the French Restaurant and the Trafford Room, will be restored to their original Edwardian elegance, and conference and banqueting facilities for up to 700 people will be created on the ground floor. The company will also construct an entertainment bar on the ground floor and a leisure centre—with swimming pool, gym, squash courts and saunas—in the basement.

The existing casino will be relocated in improved premises at the corner of the hotel fronting St Peter's Square. Fairclough will also renew all service throughout the building, including the passenger lifts. The modernised hotel, which is programmed for completion in the spring of 1987, will operate as a five-star Crown Plaza in conjunction with the adjoining new exhibition centre.

Fairclough has started work on three projects in Wales, at Pontypool, Cardiff and Carmarthen, worth in total around £1.2m. Largest is a £700,000-plus contract for construction of an old persons' home and caretaker's bungalow at Penygarn, Pontypool, for Gwent County Council. Due for completion in summer next year, the 34 bedsit residential home is the latest in a series of similar schemes built by the company throughout the Welsh valleys. The other projects are construction of leisure facilities at the Post House Hotel, Cardiff, and refurbishment of Barclays Bank in Carmarthen.

Moving ballast by barge

Over the next few weeks, more than 20,000 tonnes of ballast will be shipped to a road contract in York using the river network. Six barges are ferrying the material from near Gainsborough in Nottingham to the Western By-pass contract in York. NORWEST HOLST is carrying out the third stage of this road under a contract value of more than £4.3m.

Linking the A19 to the A59, the project involves construction of some two kilometres of single carriageway with pavements and two roundabouts. The bulk of Norwest Holst's work is on structures, of which there are four—all reinforced concrete with pre-stressed deck beams. The most challenging is the difficult crossing of the River Ouse flood plain to the north of the city, by a six-span structure. This has required cofferdams for the structure's piers, around which navigation facilities have to be maintained at all times.

It is this proximity of the Ouse, that has allowed the contractor to transport ballast, using barges. Excavated at Rampton, near Gainsborough, it is loaded on to barges at a local quarry. From there it is transported along the River Trent, into the River Humber and finally up the River Ouse. Two railway bridges are also included. One is over the east coast main line and involves restricted working and limited possession of site. The last structure is a road bridge. Work is for the North Yorkshire County Council and will be finishedby late 1987.

Hammersmith office block

Stowmarket Properties (Hammersmith) has awarded JOHN LAING CONSTRUCTION a £3m contract for construction of a five-storey office block at 137-143 Hammersmith Rd. The block will have a reinforced concrete frame and be brick clad with curtain wall glazing to the penthouse level. The contract is due for completion in April 1987.

*

FONDEDILE FOUNDATIONS has won three contracts totalling over £1m. They are for piling to five cooling towers at West Burton Power Station for the Central Electricity Generating Board; installation of new foundations to warehouse near Tower Bridge, and new foundations for an oil/coal gas conversion plant at Kilroot Power Station on behalf of the Northern Ireland Electricity Board.

*

POCHIN'S, Middlewich, has been awarded a variety of contracts worth about £4m. They range from £1.7m cold store which the group are designing and building for Harris Warehousing and Distribution at Stone, Staffordshire, through to structural repairs on Penrhyn Castle in North Wales (£260,000). Other contracts include a retail store at Wallasey, Wirral (£300,000); public house and hotel refurbishments for Frederic Robinson Brewery (£300,000); and car parking, fencing and drainage work worth £316,000 for ICI, at Kidsgrove, Staffordshire.

*

SIMONS, Lincoln, is constructing seven two- and three-storey shop units on the old Lincolnshire Echo site, for Rockfort Land and Associated Newspapers. Worth about £900,000, the contract is due to finish in 35 weeks. The building will have an insitu frame with a brick and stone façade.

*

CAP has a major contract for the development of an advanced surveillance system for Royal Navy submarines. The order, awarded by Vickers Shipbuilding & Engineering, Barrow, has a value of £3.4m. A sub-contract will be awarded to Vosper Thornycroft controls division for the manufacture of equipment.

*

SHEPHERD has secured a £2.1m contract to refurbish and extend the former Parkside High School, Beeston, for Leeds City Council. The project is a design development and management fee contract and is the first of its kind to be let by the Council. The refurbished school will provide a new home for Cockburn High School. Completion date is January 1987.

The Laird Group
PUBLIC LIMITED COMPANY

Results 1985

	Year to 31 December 1985 £'000	Year to 31 December 1984 £'000
Turnover	**374,989**	318,405
Profit before taxation	**28,979**	24,115
Taxation	(9,364)	(7,882)
Profit on ordinary activities after taxation	**19,615**	16,233
Extraordinary items	(378)	(768)
Profit for the financial year	**19,237**	15,465
Dividends	(4,742)	(4,318)
Retained profit for the financial year	**14,495**	11,147
Earnings per Ordinary Stock Unit	24.9p	20.7p
Net dividend per Ordinary Stock Unit	6.0p	5.5p
Dividend cover	4.2	3.8
Net assets per Ordinary Stock Unit	135.8p	137.9p

Notes

1. A final dividend of 3.6p net is recommended, making a total for the year of 6.0p net (1984 5.5p).
2. The tax charge includes overseas tax of £5.5 million (1984 £4.0 million).
3. During the year, acquisitions were made at a total cost of £10.4 million. These acquisitions accounted for turnover during the period of ownership of £23.4 million and profits (before taxation, interest and Head Office costs) of £2.3 million.

Analysis of turnover and profit

	1985 Turnover £'000	1985 Profit £'000	1984 Turnover £'000	1984 Profit £'000
Sealing systems	100,384	13,776	71,417	9,608
Service industries	95,177	6,243	87,914	5,418
Specialist engineering	100,106	3,787	78,333	3,420
Transport systems	79,322	4,549	80,741	5,536
	374,989	28,355	318,405	23,982
Net interest		624		133
Profit before taxation		**28,979**		**24,115**

FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Bluebird Toys, Barrington House, Gresham St, EC, 12.00
Federated Housing, Painters Hall, Trinity Lane, EC, 12.00
West Hampshire Water, Knapp Mill, Mill Rd, Christchurch, Dorset, 2.30

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

TOMORROW

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

WEDNESDAY APRIL 9

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

THURSDAY APRIL 10

COMPANY MEETINGS—
[illegible]

FRIDAY APRIL 11

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

SATURDAY APRIL 12

DIVIDEND & INTEREST PAYMENTS—
[illegible]

F.T.-ACTUARIES SHARE INDICES
QUARTERLY VALUATION

The market capitalisation of the groups and sub-sections of the FT-Actuaries indices as at March 27, 1986 are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for the two preceding quarters.

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses denote number of stocks)		Market capitalisation as at March 27, 1986 (£m.)	% of all share index	Market capitalisation as at Dec. 31, 1985 (£m.)	% of all share index	Market capitalisation as at Sept. 30, 1985 (£m.)	% of all share index
1 CAPITAL GOODS GROUP	(212)	48,999.5	17.73	38,282.3	16.56	33,679.8	16.01
2 Building Materials	(24)	8,647.6	3.13	6,306.5	2.73	5,308.9	2.52
3 Contracting, Construction	(28)	3,862.2	1.40	3,020.6	1.31	2,673.9	1.27
4 Electricals	(12)	1,586.8	0.57	1,253.0	0.54	1,164.1	0.55
5 Electronics	(58)	11,983.7	4.34	10,321.9	4.47	9,204.9	4.38
6 Mechanical Engineering	(64)	8,936.1	3.23	6,910.8	2.99	6,345.7	3.02
8 Metals and Metal Forming	(7)	1,208.1	0.44	891.9	0.39	758.0	0.36
9 Motors	(17)	4,016.0	1.46	2,784.1	1.21	2,145.3	1.02
10 Other Industrial Materials	(22)	8,770.0	3.17	6,733.6	2.92	67,079.0	2.89
21 CONSUMER GROUP	(185)	98,610.1	35.69	79,328.2	34.36	70,065.4	33.30
22 Brewers and Distillers	(23)	15,112.0	5.47	12,513.1	5.42	11,264.7	5.35
25 Food Manufacturing	(22)	11,552.9	4.18	9,984.0	4.32	8,343.4	3.97
26 Food Retailing	(14)	9,236.3	3.34	8,529.9	3.70	7,661.8	3.64
27 Health and Household Products	(10)	16,288.0	5.89	11,643.4	5.04	9,938.8	4.72
29 Leisure	(24)	6,259.3	2.27	4,911.4	2.13	4,361.0	2.07
32 Publishing & Printing	(14)	3,477.4	1.26	1,649.5	0.72	1,717.7	0.82
33 Packaging and Paper	(14)	2,232.8	0.81	2,441.1	1.06	2,273.4	1.08
34 Stores	(44)	21,999.4	7.96	18,362.9	7.95	16,857.4	8.01
35 Textiles	(17)	3,567.7	1.29	2,455.5	1.06	2,121.9	1.01
36 Tobaccos	(3)	8,884.3	3.22	6,837.3	2.96	5,545.3	2.63
41 OTHER GROUPS	(85)	45,982.3	16.64	40,597.9	17.58	38,305.3	18.20
42 Chemicals	(19)	9,973.6	3.61	8,068.2	3.49	7,210.8	3.43
44 Office Equipment	(4)	1,337.6	0.48	1,100.3	0.48	1,061.9	0.50
45 Shipping and Transport	(12)	3,584.3	1.29	2,777.1	1.20	2,516.9	1.19
47 Telephone Networks	(2)	19,163.9	6.94	16,941.4	7.34	16,830.3	8.00
48 Miscellaneous	(49)	11,923.9	4.32	11,710.9	5.07	10,695.4	5.08
49 INDUSTRIAL GROUP	(483)	193,591.9	70.06	158,148.4	68.50	142,070.5	67.51
51 Oil and Gas	(17)	21,973.0	7.95	21,086.0	9.13	21,300.2	10.07
59 500 SHARE INDEX		215,564.9	78.01	179,233.4	77.63	163,370.7	77.58
61 FINANCIAL GROUP	(118)	43,267.4	15.66	36,291.6	15.72	32,719.3	15.55
62 Banks	(7)	13,254.5	4.80	9,764.5	4.23	8,295.7	3.94
65 Insurance (Life)	(9)	6,342.6	2.30	5,759.4	2.49	5,283.8	2.51
66 Insurance (Composite)	(7)	7,751.9	2.80	6,271.4	2.72	5,471.9	2.60
67 Insurance Brokers	(8)	2,575.4	0.93	2,438.2	1.06	2,234.8	1.06
68 Merchant Banks	(11)	2,158.3	0.78	1,710.3	0.74	1,491.7	0.71
69 Property	(51)	7,728.1	2.80	6,981.2	3.02	6,895.9	3.28
70 Other Financial	(25)	3,456.6	1.25	3,367.6	1.46	3,045.5	1.45
71 Investment Trusts	(103)	12,076.9	4.37	10,900.3	4.72	10,018.4	4.76
81 Mining Finance	(3)	3,214.0	1.16	2,480.9	1.08	2,576.6	1.22
91 Overseas Traders	(14)	2,195.3	0.80	1,959.1	0.86	1,887.0	0.90
99 ALL-SHARE INDEX	(738)	276,318.6	100.0	230,875.3	100.0	210,466.0	100.0

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
British International Antiques Fair (021-780 4171) (until April 9) NEC, Birmingham

April 8-10
National Pub, Club and Leisure Show (01-222 9341) Olympia

April 8-10
International Helicopter Technology and Operations Conference and Exhibition (01-549 5831) Aberdeen

April 14-18
International Fire and Security Exhibition and Conference — IFSEC (01-446 8211) Olympia

April 15-17
National Welding Exhibition — NORTHWELD (0403 68747) Manchester

April 17-19
American Real Estate and Investment Show and Seminar (0789 720119) Park Lane Hotel, W1

April 21-25
International Brewing, Bottling and Allied Trade Exhibition—BREWEX (021-705 6707) NEC, Birmingham

April 21-25
International Packaging Exhibition—PAKEX (021-705 6707) NEC, Birmingham

April 29-May 1
British Electronics Week (0799 26699) Olympia

May 11-14
Business to Business Exhibition (01-729 0677) Barbican Centre

May 11-18
London International Furniture Show (01-385 1200) Earls Court

May 13-16
Communications Equipment and Systems Exhibition—COMMUNICATIONS (021-705 6707) NEC, Birmingham

May 18
Antiques Fair (01-883 7061) Alexandra Palace

May 20-24
Chelsea Flower Show (01-834 4333) Royal Hospital, SW1

May 23-June 1
National Home, Garden and Leisure Show — LIFESTYLE (01-222 9341) NEC, Birmingham

May 28-June 7
Fine Art and Antiques Fair (01-385 1200) Olympia

OVERSEAS TRADE FAIRS

April 14-19
Mini/Micro Computers, Software and Software Packages Exhibition—SPECIAL SICOB (01-439 3964) Paris

April 20-24
Third Saudi Oil Show (01-486 3741) Al-Khobar

April 22-26
International Packaging Exhibition—PROPACK (021-705 6707) Brussels

April 22-25
International Traffic Engineering Trade Fair (01-437 2175) Amsterdam

May 2-15
International Printing and Paper Fair—DRUPA (01-493 3893) Dusseldorf

May 5-8
Business Efficiency, Office Automation and Business Communication Exhibition — BEE/OFEX (01-855 7777) Hong Kong

May 13-15
Production, Organisation and Technical Aspects of Shows & Meetings, Trade Fair and Congress — SHOWTECH (01-740 4444) Berlin

May 28-June 4
Mechanical Handling, Machine Tool & Products Exhibition (01-439 3964) Paris

BUSINESS AND MANAGEMENT CONFERENCES

April 7-8
FT Conferences: Technology and the New Securities Markets (01-621 1355) Hotel Inter-Continental, W1

April 11
Nolan, Norton / BIM: Creating wealth in the 90s (0536 204222) Bowater House, SW1

April 14-15
European Study Conferences: The London International Construction Conference (0572 822711) Hilton Hotel, W1

April 14-15
FT Conferences: The fourth manufacturing automation forum (01-621 1355) Hotel Inter-Continental, W1

April 15-16
IBC: Marketing in the travel industry (01-236 4080) Portman Hotel, W1

April 15
Oracle Business Information: Tax planning for the single contract self-employed (01-727 3503) 22 Portman Close, W1

April 16
Information for Industry: The Middle East—the changing face of business (01-637 1019) Cumberland Hotel, W1

April 17-18
Institute for International Research: The financial, commercial and entrepreneurial opportunities for prospering through privatisation (01-434 1017) 116 Pall Mall, SW1

April 20-22
The Economist: Entrepreneurship in practice—developing and managing innovation in large corporations (01-839 7000) Ettington Park Hotel, near Stratford upon Avon

April 21-23
Airfinance Conferences: The Annual Airfinance Conference (0376 62262) Plaza Hotel, New York City

April 22-23
Institute for International Research: Cashing in on plastic card evolution (01-434 1017) 22 Portman Close, W1

April 22-23
FT Conferences: The prospects for tourism in Britain (01-621 1355) Hotel Inter-Continental, W1

April 23
Institute of Directors: Coping with success (01-839 1233) 116 Pall Mall, SW1

April 23-24
Westminster & City: Regulating the marketing of life assurance and unit trusts (01-583 7245) Hilton Hotel, W1

April 30
Public Policy Consultants. Advanced techniques of dealing with Government (01-606 6090) St Ermin's Hotel, SW1

May 5-7
KIA Management Consultants: Gaining a competitive advantage—developing successful strategies in service industries (01-267 0231) Seville

May 15-16
FT Conferences: Retailing (01-621 1355) London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

AUSTRIA

1986 High	Low	Apr. 4	Price Sch %
2,448	2,247	Credit'stalt pp*	2,310
3,850	3,075	Goesser.*	3,200
15,100	13,400	Interunfall*	13,400
21,750	18,000	Jungbunzlauer*	19,300
2,275	1,950	Laenderbank*	2,110
745	665	Perlmooser	685
178	150	Steyer-Daimler	166
10,060	8,850	Veitscher Mag*	9,600

BELGIUM/LUXEMBOURG

1986 High	Low	Apr. 4	Price Frs.
2,850	2,290	B.B.L.	2,850
13,100	9,600	Banq. Gen. Lux	13,600
14,000	9,400	Banq. Int. A. Lux	14,000
14,500	8,250	Bekaert	13,600
4,660	2,540	Ciment CBR	4,260
195	152	Cockerill	164
11,500	8,310	Delhaize	11,500
4,810	3,580	EBES	4,810
17,350	10,425	Electrobel.	16,600
2,600	1,970	Fabrique Nat.	2,600
7,350	3,580	GB Inno BM	7,350
4,525	2,695	GBL (Brux)	3,280
6,900	4,310	Generale Bank	6,800
6,850	4,750	Gevaert	6,850
8,150	5,700	Hoboken	8,150
3,950	2,880	Intercom	3,950
14,200	10,100	Kredietbank	13,975
10,550	9,900	Pan Hldgs	10,550
7,300	6,050	Petrofina	7,300
24,600	17,200	Royale Belge	24,600
3,270	2,120	Soc. Gen. Belge	3,180
11,600	7,710	Sofina	11,600
8,240	6,050	Solvay	8,190
585	460	Stanwick Intl	470
6,340	4,675	Traction el	6,320
7,400	5,300	UCB	7,400
6,200	3,705	Wagon Lits	5,670

DENMARK

1986 High	Low	April 4	Price Knr. %
424	367	Andelsbanken	422
560	515	Baltica Skand.	520
548	294	CopHandelsbank	522
470	395	D. Sukkerfab.	418
381	344	Danske Bank	364
1,840	1,480	De Danske Luft.	1,840
297	227	East Asiatic	287
1,075	900	Forenede Brygg.	970
268	204	Forenede Damp.	255
665	565	GNT Hldg	610
790	565	I.S.S.S.	770
845	760	Jyske Bank	785
1,365	1,190	Novo Inds.	1,300
339	279	Privatbanken	295
470	401	Provinsbanken	449
324	278	Smidth (F.L.) B	314
995	915	Sophus Berend	975
331	265	Superfos	312

GERMANY

1986 High	Low	Apr. 4	Price Dm
247	190	MAN	217
311.8	235	Mannesmann	270
1,304	993	Mercedes Hld.	1,201
430	305	Metallgesell	370.5
4,050	3,150	Muench Rueck	4,050
650	548	Nixdorf	622
1,420	1,161	Porsche	1,235
297	231	Preussag	250
251.3	195	Rhein West Elect	241
395	330	Rosenthal	384
670	514	Schering	597
826.5	580	Siemens	700.5
198	158	Thyssen	191.1
390	290	Varta	388
320	273	Veba	320
202	140	V.E.W.	191
580	392	Verein-West	505
605	495	Volkswagen	599.3

SWITZERLAND

1986 High	Low	April 4	Price Frs.
6,110	4,460	Adia Intl	5,025
765	630	Alusuisse	750
4,850	4,025	Bank Leu	4,150
1,870	1,620	Brown Boveri	1,825
4,550	3,775	Ciba-Geigy	4,060
3,940	2,775	do. (Part Certs)	3,060
5,910	3,100	Credit Suisse	3,820
3,770	3,370	Electrowatt	3,700
1,440	1,125	Fischer (Geo)	1,440
141,000	119,250	Hoff-Roche PtCts	138,800
14,000	11,900	Hoff-Roche 1/10.	12,750
7,950	7,100	Jacobs Suchard.	7,620
3,850	3,150	Jelmoli	3,325
2,355	1,850	Landis & Gyr	2,000
9,500	8,225	Nestle	8,875
1,745	1,420	Oer-Buehrle	1,745
490	378	Pirelli	490
13,000	10,200	Sandoz (Br)	11,825
1,900	1,630	Sandoz (Pt Cts)	1,895
900	770	Schindler (PtCts)	800
1,980	1,500	Sika	1,680
7,100	5,900	Surveillance A.	6,800
2,220	1,790	Swissair	2,025
625.5	534	Swiss Bank	611
16,950	13,200	Swiss Reinsce	15,400
2,750	2,340	Swiss Volksbk	2,470
5,450	4,850	Union Bank	5,300
6,600	4,620	Winterthur	5,600
6,800	5,750	Zurich Ins	6,800

FRANCE

1986 High	Low	Apr. 4	Price Frs.
510	390	Sefimeg	510
1,460	1,100	Skis Rossignol	1,460
3,760	2,640	Telemec Elect	3,760
1,235	822	Thomson (CSF)	1,235
610	348	Valeo	560

NORWAY

1986 High	Low	Apr. 4	Price Kroner
172.5	142	Bergens Bank	145
477.5	358	Borregaard	365
179	151.5	Christians Bk.	152
185	146	Den Norsk Credit	150
117	94	Elkem	113
197.5	156	Kosmos	162.5
191	134	Kvaerner	145
156.2	115	Norcem	121
487.5	400	Norsk Data	452.6
150.5	132	Norsk Hydro	137
285	235	Storebrand	235

NETHERLANDS

1986 High	Low	April 4	Price Fls
318	268	ACF Holding	291.2
123.2	99.9	AEGON	106.9
90.2	69.5	Ahold	81
178.7	149.4	AKZO	178.7
609.5	557	ABN	589.5
93.8	75.2	AMEV	78.4
117	97.6	AMRO	106.4
218	195	Bredero Cert	212.3
19.9	15.5	Bos Kalis Westm.	16.9
159	135	Buehrmann Tet.	155.7
33	19.5	Calland Hldgs	21.8
184.5	158.8	DordtschePet'm.	182.5
193	164	Elsevier NDU	187.8
88.5	77.8	Fokker	84.7
304	263	Gist-Brocades	290
243.5	211.7	Heineken	239.8
102.6	78.2	Hoogovens	102.6
75	62.3	Hunter Doug.N/V	65.6
77.8	65.5	Int Mueller	76.7
55.8	52	KLM	54.2
144	118.7	KNP	130.3
65.5	51.5	Naarden	54
89.5	71.5	Nat Ned Cert	79.2
255.5	201	Ned Mid Bank	206.5
219.9	174.5	Nedlloyd	180.5
458	410	Oce Grinten.	453
37.3	30.4	Ommeren (Van)	31
92.5	63.2	Pakhoed	64
65.7	59.1	Philips	64.7
93.3	82.9	Robeco	92.7
142.1	133	Rodamco	141.6
84.9	72.2	Rolinco	84.5
51.0	46.6	Rorento	50.7
193.3	164.8	Royal Dutch	192.5
429	347.7	Unilever	429
313.5	270	VMF Stork	305.5
329	270.6	VNU	288
284	239	Wessanen	250
108.5	45.7	West Utr Bank	50

SWEDEN

1986 High	Low	April 4	Price Kroner
207	175	AGA	191
294	245	Alfa Laval B	294
440	307	ASEA (Free)	440
575	490	Astra (Free)	575
245	166	Atlas Copco	245
290	263	Cardo (Free)	280
229	169	Cellulosa	229
286	194	Electrolux B	285
295	216	Ericsson B	293
560	450	Esselte	510
265	178	Mo Och Domsjo.	265
238	167	Pharmacia	238
685	495	Saab Scania Free	685
836	675	Sandvik	835
450	330	Skandia	460
100	78.5	Skan Enskilda	97.5
389	286	SKF	327
186	136	Sonesson	185
260	157	St. Kopparbergs.	250
312	233	Sven Handelsbn.	308
316	220	Swedish Match	316
373	300	Volvo B (Free)	365

SPAIN

1986 High	Low	April 4	Price P'ta %
860	415	Bco Bilbao	847
675	347	Bco Central	675
405	207	Bco Exterior	405
505	207	Bco Hispano	503
1,025	439	Bco Popular.	980
770	420	Bco Santander	742
1,115	595	Bco Vizcaya	1,095
315	165	Dragados	308
127.2	82.5	Hidrola	111.2
160	101.5	Iberduero	132.5
356	172	Petroleos	344
182	126.5	Telefonica	176

JAPAN

AUSTRALIA

SOUTH AFRICA

HONG KONG

ITALY

SINGAPORE

CANADA

TORONTO

Closing prices April 4

MONTREAL

Closing prices April 4

OVER-THE-COUNTER

Nasdaq national market, Closing prices April 4

Continued from Page 31

NEW YORK INDICES

DOW JONES	Apr. 4	Apr. 3	Apr. 2	Apr. 1	Mar. 31	1986 High	1986 Low	Since Cmp High	Since Cmp Low
Industri'ls	1739.22	1766.40	1795.26	1790.11	1818.61	1821.72 (27/3)	1502.29 (22/1)	1821.72 27/3/86	41.22 (2/7/32)

NEW YORK ACTIVE STOCKS

Closing prices, April 4

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24	10⅝	AAR s			20	150	22¾	22	22	−⅛
36	17¼	AFG			17	913	36	34¾	35⅞	+1¼
25⅜	10¼	AGS			15	258	22¼	21	21	−1¼
15	9⅞	AMCA				41	13⅞	13¾	13¾	
57⅞	37½	AMR			9	6584	54¼	52¾	53¾	−1
25¾	18⅝	AMR pf2.18		8.8		25	24⅞	24½	24⅞	+⅛
25¾	23¼	ANR pf2.67		10.		66	25½	25½	25½	+¼
12½	7⅝	APL			7	3	11½	11½	11½	−⅛
16¾	10⅝	ARX			13	57	14⅝	14¼	14¼	−⅝
56⅜	32¾	ASA	2a	5.4		477	37⅜	36½	36⅞	−⅜
18⅜	10½	AVX			22	19	14½	14¼	14¼	−⅛
30⅜	22¼	AZP	2.72	9.1	8	2880	30¼	29⅞	29⅞	−½
86¾	49½	AbtLab 1.68		2.0	21	2791	84	82	82¾	−1¼
31⅞	19⅝	AccoWd .50		1.7	21	261	30¾	30	30	−1
24¾	10	AcmeC .40		3.0	19	107	13¼	13⅛	13⅛	−⅜
9¼	7	AcmeE .32b		3.9	15	12	8⅜	8¼	8¼	
19¾	16⅛	AdaEx 1.90e		10.		82	19⅛	18⅞	18⅞	−¼
29	14	AdmMl .40		1.4	12	45	28	27¾	27¾	−⅛
20⅜	8¾	AdvSys .36t		2.0	16	303	17	16¾	17	+¼
34	22⅛	AMD				7497	28¼	27⅜	27⅞	+¼
12⅝	8¼	Adobe n				104	9⅛	8⅞	8⅞	−⅛
18⅝	14⅝	Adob pf1.84		11.		62	16½	16⅜	16½	
20¾	15¼	Adob pf2.40		12.		17	19¾	19½	19¾	
17¾	8⅛	Advest .12a		.8	13	577	15½	14½	14½	−1¼
68¼	39⅛	AetnLf 2.64		4.2	16	14048	64½	63	63⅛	−⅝
69¼	29	Ahmns 1.38		2.2	8	1202	64¼	62	63	−1¼
4¾	2½	Aileen			75	128	4	3¾	3¾	−¼
82⅝	46⅞	AirPrd 1.48		2.0	16	422	76½	75¾	75⅞	−⅝
27½	17½	AirbFrt .60		2.4	18	224	25¼	24½	24½	−1¼
2⅛	⅜	AlMoan 50c				195	½	15-32	½	+1-32
10¼	7	AlaP dpf.87		8.9		18	9¾	9¾	9¾	−⅛
103¼	70¼	AlaP pf 9		9.0		z50	99⅝	99⅝	99⅝	−⅜
[illegible]										

Continued on Page 31

NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24 1/2	16 5/8	PacRs pf 2		8.4		47	23 3/4	23 1/4	23 3/4	+1/8
17 1/2	12 5/8	PacSci .40		2.5	15	57	16 3/8	16 1/4	16 1/4	
96	67 1/2	PacTel 6.08		6.8	10	1940	91 1/2	89 5/8	89 5/8	−1 1/2
17	10 1/2	PacTin .40		2.9	10	3	13 5/8	13 1/4	13 3/4	−1/8
36 3/8	27	Pacifcp 2.40		7.0	10	1242	35 3/8	34 5/8	34 1/2	−3/8
38 1/4	31	PacH pf4.07		11.		23	37 3/4	37 1/4	37 1/4	−1/2
42 3/4	25 1/4	PainWb .60		1.5	20	1717	41 1/2	39 7/8	40	−1 1/4
35	25 7/8	PainW pf2.25		6.8		152	33 5/8	33	33	−1/2
9 1/2	4 5/8	PanAm			15	8038	7 1/4	6 7/8	6 7/8	−1/4
4	2 7/8	PanA wt				286	2 7/8	2 5/8	2 5/8	
22 7/8	13 3/8	Pandck n.20		1.0	19	177	20 1/4	19 1/2	20	−7/8
41 1/2	32 3/8	PanhEC 2.30		6.5	12	662	35 1/2	35 1/8	35 1/8	−1/8
31 1/2	18 5/8	Pansoph			18	417	30	29 5/8	29 3/4	−1/4
17 1/2	4 7/8	PantPr				1881	17 1/8	16 1/2	16 3/4	
14 3/4	5 5/8	Pardyn				619	8	7 1/2	7 5/8	
16 7/8	11 1/2	ParkEl .12		.7	16	35	16 3/8	16 1/2	16 5/8	−1/8
6 3/4	3	ParkDr .08		2.1		500	3 3/4	3 5/8	3 3/4	+1/8
45 1/2	28 1/4	ParkH 1.12		2.7	14	428	42 1/8	41 5/8	42	+3/4
4 3/4	3 1/4	PatPtr s			14	70	3 7/8	3 3/4	3 3/4	−1/8
16	11 5/8	PayNP .64		4.3	19	195	15 3/8	15	15	−1/4
23 5/8	13 1/2	PayCsh .16		.7	20	2048	23 1/2	23	23	−1/2
7/8	1/4	Pengo				35	3/8	11-32	3/8	
55 5/8	45	PenCen			20	578	55	54	54 5/8	−1/2
69 1/4	45 1/8	Penney 2.48		3.7	13	x3499	68	66 1/2	66 3/4	−5/8
33 1/4	23 1/2	PaPL 2.56		8.1	12	1406	32	31 5/8	31 3/4	
48	34	PaPL pf4.40		9.3		z400	47 1/2	46 1/2	47 1/2	+1
48	34	PaPL pf4.50		10.		z1250	46 5/8	45	45	−1 1/2
28 5/8	24	PaPL dpr2.90		10.		2	28 5/8	28 5/8	28 5/8	+1/8
87 1/2	62 1/4	PaPL pr8.40		9.7		z400	87	86 1/2	87	+2
29 7/8	25 1/4	PaPL dpr3.25		11.		17	29 3/8	29	29 7/8	+3/8
105 1/4	84 1/2	PaPL pf9.24		9.1		z10	102	102	102	−2

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
50	5 1/4	WCNA pf1.81j				32	6 7/8	6 3/4	6 7/8	
139 3/4	107	WPacI .75e		.5	12	24	138 3/4	137 7/8	137 7/8	−1/4
23 1/2	9	WstSL s .20		1.0	6	399	20 1/8	19 1/2	19 3/4	−3/8
15 1/2	6	WUnion				1035	7 1/2	7 1/8	7 3/8	−1/8
46 1/2	26 1/8	WnUn pf				3	35	35	35	+1/4
7 3/4	3 5/8	WnU pfS				101	6 7/8	6 3/4	6 3/4	−1/8
14 1/4	6 5/8	WnU pfE				154	12	11 5/8	11 5/8	−1/8
17 1/2	8 1/8	WUTl pfA				40	16 3/4	16 5/8	16 3/4	+1/8
56	25	WstgE 1.20		2.2	15	4513	55 1/4	53 3/4	53 3/4	−1 1/4
56	34 7/8	Westvc 1.32		2.7	14	530	49 1/2	48 5/8	49	−1/2
38 3/4	24 3/4	Weyerh 1.30		3.6	27	2338	37 1/8	35 3/4	36	−1
50	37 7/8	Weyr pf2.80		5.8		34	49	48	48	−3/4
56 3/8	46 3/4	Weyr pr4.50		8.1		20	56 3/8	55 3/4	55 7/8	−3/8
17 1/8	6 5/8	vjWhPit				114	11 1/4	11	11	−1/2
31 3/4	10 1/2	vjWhPipf				z80	20	20	20	−1
70 3/4	40 1/2	Whirlpl 2		3.1	13	2025	67 7/8	64	64 3/8	−2 7/8
50	25 1/2	WhitC 1.50		3.2	23	35	47	46 7/8	46 7/8	
34 7/8	19 3/8	Whitehl			11	93	29	28 1/4	28 1/2	−1/2
27 3/8	17 1/4	Whittak .60		2.5	23	212	24 5/8	23 7/8	24	−1/8
15 1/8	8	Wilfred .12		.9	15	28	13 7/8	13 3/4	13 7/8	+1/4
18 1/2	7 7/8	WillcxG .10		.6	7	254	18 1/8	18	18	−1/8
33 1/2	21 3/8	Willam 1.40		5.8	26	4095	23 7/8	23	23 5/8	+3/8
12 1/4	3	WilmEl				206	10 7/8	10 5/8	10 3/4	−1/8
7 1/2	4	WilshrO .10b		2.2	19	37	4 5/8	4 1/2	4 1/2	
42	32 1/8	WinDix 1.74		4.7	14	525	39 1/2	36 1/4	37 1/4	−1 3/4
19 3/8	8 1/2	Winnbg .20		1.1	33	1849	18 1/2	17 3/4	17 3/4	−3/4
9 5/8	5 1/8	Winner				71	6 5/8	6 3/8	6 3/8	−1/4
10 1/4	4	WinterJ .05e		.6	22	103	9 3/8	8 1/2	8 1/2	−3/4
49 3/4	30 3/4	WiscEP 2.48		5.3	11	375	47 3/4	46 5/8	46 7/8	−3/4
101 1/2	76	WisE pf8.90		8.8		z60	101 1/2	101 1/2	101 1/2	+1 1/4
47 1/4	28 1/8	WiscPL 2.64		6.1	11	115	47	46 5/8	46 5/8	−3/8
47	32 1/2	WiscPS 2.86		6.3	10	448	46 5/8	45 3/4	45 3/4	−5/8
53 1/8	33	Witco 1.48		2.9	13	198	53 3/4	51 3/4	51 3/4	−1 1/4
14	9 3/4	WolvrW .24		2.0	21	263	11 7/8	11 1/2	11 3/4	+1/8
77 1/2	41	Wolwth 2		2.7	13	2061	75 1/8	72 7/8	73 1/8	−2
5 5/8	3	WrldAr				4	4 1/4	4 1/8	4 1/4	+1/8
116 3/4	60 5/8	Wrigly 1.80a		1.7	17	127	112	108	108	−4 1/2
4 1/2	2 3/8	Wurlitzr				94	3 1/2	3 1/4	3 3/8	
17 1/2	10 5/8	WyleLb .32		2.2	74	301	15 1/4	14 7/8	14 7/8	−1/2
20 3/4	15	Wynns .60		3.5		72	17 3/4	17 1/8	17 1/8	−1/2
		X Y Z								
72 1/4	42 7/8	Xerox 3		4.7	14	3849	65 1/4	63 3/4	64	−1 1/4
57 7/8	50	Xerox pf5.45		9.6		161	57 1/8	56 7/8	56 7/8	−1/8
37	26	ZaleCp 1.32		3.9	13	30	34 5/8	33 3/4	33 3/4	−1/8
28 1/2	20 1/2	Zale pfA .80		3.0		4	26 3/4	26 3/4	26 3/4	
15 1/2	3 5/8	Zapata .03j				345	4 3/8	4 1/8	4 1/4	+1/8
74 1/2	40 1/4	Zayre s .48		.7	22	349	72 1/4	71 5/8	71 5/8	−1/2
26 1/4	16 1/4	ZenithE				1139	24 1/8	23 3/4	23 3/4	−3/8
36	12 5/8	ZenLbs .10i		.3	22	981	33	31 5/8	31 5/8	−1 1/4
22 3/8	13 3/4	Zero s				559	20 1/2	20	20 1/2	+1/4
45 3/4	28 3/4	Zumin 1.32		3.3	15	295	42	40	40 1/4	−1 1/2

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices April 4

[illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices, April 4

[illegible]

Continued on Page 29

CURRENCIES MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Facelift for the EMS

BY JONAS CROSLAND

The weekend realignment of currency values within the European Monetary System has been long overdue. Last month's elections in France postponed the inevitable with other EMS members reluctant to push through changes beforehand. But the writing has been on the wall as long ago as last September when the group of five finance ministers announced its intention to reduce the dollar's value.

The domino effect has so far worked every time. The dollar weakens, the D-mark improves and weaker EMS currencies come under pressure because funds are switched out of dollars and into D-marks to a greater extent than into any other EMS currency.

When the Bank of France ran up the white flag on Thursday in New York trading, the timetable adopted an air of predictability to coincide with a meeting of EEC finance ministers. To save any technical embarrassment, central banks were also obliged to suspend each currencies' permitted trading band, thus relieving themselves of the obligation to intervene. In fact each central bank in addition announced its intention to adopt a hands off approach thus allowing the market to find its own level.

On Sunday ministers meeting in Ootmarsum, Netherlands, decided to devalue the French franc by 3 per cent within the EMS and to revalue the D-mark and Dutch guilder by 3 per cent, and the Belgian franc and Danish krone by 1 per cent. The lira and Irish punt were left unchanged.

After a period of relatively plain sailing, the dollar became rather fog bound last week, principally as a result of statements made by the Bank of Japan. The Japanese authorities were keen to stress that any sharp yen appreciation would take time to work through the system as is intended, in order to help reduce the US trade deficit. Currency markets are considerably less patient, however, so much so that the Bank of Japan felt obliged to flex its muscles in order to avoid the market overreacting by pushing the yen even stronger.

While the Bank of Japan wanted currency rates to stabilise, the market's initial reaction was to try and push the dollar back up again, having discovered a clearly defined floor level. However, uncertainty over the attitude of other central banks robbed the dollar of sufficient conviction to push through important chart points and it fell back to trade in a narrow band.

Sterling sentiment was dominated once again by oil prices. However there was a tendency towards improving on the good news and ignoring the bad news. The latter unfortunately was strictly rationed last week so that the pound showed little overall change from before the long Easter break. The market seemed quietly confident about sterling's prospects, having possibly already ridden out the worst immediate effects of sharply lower oil prices. High UK interest rates continue to lend support and even if this week's banking figures create greater optimism for a small reduction in clearing bank base rates, there will still be a comfortable interest rate differential between UK rates and those in Japan and West Germany.

£ IN NEW YORK

	Close April 4	Prev. close
£ Spot	$1.4520-4535	$1.4590-4600
1 month	0.50-0.49pm	0.50-0.46pm
3 months	1.38-1.36pm	1.40-1.38pm
12 months	3.78-3.62pm	3.85-3.75pm

Forward premiums and discounts apply to the US dollar

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
116	10.03	11.23	—	—	0.15	1.21	—	—
118	8.18	9.54	—	—	0.34	1.52	—	—
120	6.42	8.26	—	—	0.58	2.26	—	—
122	5.13	7.10	—	—	1.29	3.08	—	—
124	3.60	6.00	—	—	2.12	3.62	—	—
126	2.56	4.62	—	—	3.08	4.60	—	—
128	2.02	4.05	—	—	4.18	6.03	—	—
130	1.25	3.19	—	—	5.41	7.17	—	—

Estimated volume total, Calls 1,522, Puts 234
Previous day's open int. Calls 7,523, Puts 1,661

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
92	9.15	9.19	—	—	0.05	0.50	—	—
94	7.22	7.45	—	—	0.12	1.13	—	—
96	5.38	6.18	—	—	0.28	1.50	—	—
98	4.03	5.01	—	—	0.57	2.33	—	—
100	2.48	3.59	—	—	1.38	3.27	—	—
102	1.47	2.64	—	—	2.37	4.32	—	—
104	1.02	2.16	—	—	3.56	5.48	—	—
106	0.36	1.41	—	—	5.26	7.09	—	—

Estimated volume total, Calls 190, Puts 652
Previous day's open int. Calls 584, Puts 867

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last April	May	June	Sept	Puts—Last April	May	June	Sept
1.20	—	—	24.70	—	—	—	0.01	—
1.25	19.70	—	19.70	19.70	0.00	—	0.07	0.81
1.30	14.70	14.70	14.70	14.70	0.00	0.10	0.30	1.33
1.35	9.70	9.70	9.70	10.32	0.01	0.46	0.94	2.57
1.40	4.81	5.60	5.97	7.20	0.20	1.52	2.32	4.45
1.45	1.34	2.76	3.30	4.77	1.73	3.68	4.65	7.02
1.50	0.15	1.12	1.61	2.99	5.54	7.04	7.96	10.24

Estimated volume total, Calls 401, Puts 50
Previous day's open int. Calls 5,199, Puts 6,822

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last April	May	June	Sept	Puts—Last April	May	June	Sept
1.20	—	—	25.50	—	—	—	0.15	—
1.25	—	—	20.50	20.60	—	—	0.20	0.80
1.30	—	—	15.50	15.50	—	—	0.50	1.40
1.35	10.80	10.50	10.60	11.30	0.10	0.56	1.00	2.60
1.40	5.50	6.20	6.60	7.00	0.15	1.40	2.10	4.40
1.45	1.90	3.10	3.90	5.30	1.50	3.35	4.30	6.90
1.50	0.20	1.40	1.80	3.50	5.25	6.60	7.40	9.90

Previous day's open int. Calls 4,818, Puts 3,782
Volume, 100

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last April	May	June	Sept	Puts—Last April	May	June	Sept
1.20	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	0.30	—
1.35	—	—	—	—	—	—	—	—
1.40	—	5.35	5.95	—	0.20	1.20	—	4.20
1.45	1.20	3.00	3.35	5.00	1.30	3.30	4.35	—
1.50	0.20	—	1.55	3.00	5.60	6.90	—	—

Previous day's open int. Calls 57,596, Puts 42,678
Previous day's volume, Calls 1,485, Puts 68

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
90.00	3.03	—	—	—	0.00	—	—	—
90.50	2.53	2.54	—	—	0.00	0.00	—	—
91.00	2.03	2.04	—	—	0.00	0.00	—	—
91.50	1.53	1.56	1.52	—	0.00	0.01	0.03	—
92.00	1.03	1.06	1.07	—	0.00	0.02	0.08	—
92.50	0.56	0.63	0.68	—	0.03	0.09	0.19	—
93.00	0.19	0.29	0.37	—	0.16	0.25	0.38	—

Previous day's open int. Calls 2,522, Puts 2,128
Volume, nil

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
June	125-24	125-25	124-27	125-29
Sept	126-01	126-05	125-15	126-07
Dec	125-31	—	—	126-05
March	125-27	—	—	126-01

Est. Volume 8,364 (11,244).
Previous day's open int. 10,389 (9,853).
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT £100,000
64ths of 100%

	Close	High	Low	Prev
June	101-14	101-15	101-00	101-09
Sept	101-34	—	—	101-30

Est. Volume 256 (564).
Previous day's open int. 982 (897).

THREE-MONTH STERLING £500,000
points of 100%

	Close	High	Low	Prev
June	90.22	90.29	90.11	90.23
Sept	90.74	90.79	90.67	90.73
Dec	90.97	91.00	90.93	90.93
March	91.04	91.05	91.00	91.02
June	90.95	—	—	90.95

Est. Volume 2,077 (3,313).
Previous day's open int. 15,998 (15,705).

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume 3,428 (3,261).
Previous day's open int. 18,912 (18,291).

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	172.80	174.20	172.70	174.56
Sept	175.05	—	—	176.80
Dec	177.55	—	—	179.30

Est. Volume 408 (451).
Previous day's open int. 1,617 (1,500).

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev
June	101-05	101-27	100-04	102-01
Sept	100-16	99-21	99-21	101-15
Dec	99-28	—	—	100-27

Est. Volume 9,614 (6,664).
Previous day's open int. 6,049 (6,075).

CHICAGO

CERT. DEPOSIT (IMM)
$1m points of 100%

	Close	High	Low	Prev
June	93.42	93.36	93.36	93.32
Sept	93.41	93.40	—	93.34
Dec	93.34	93.30	—	93.25
March	93.17	—	—	93.08

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev
June	100-11	102-01	100-03	101-11
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	94-24	—	—	96-22

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev
June	94.20	94.22	94.02	94.03
Sept	94.30	94.31	94.13	94.14
Dec	94.24	94.24	94.09	94.11
March	94.09	90.09	94.00	93.98
June	93.95	93.95	93.86	93.86
Sept	93.82	93.82	93.73	93.74
Dec	93.70	93.70	93.63	93.64
March	93.58	93.58	93.52	93.56

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev
June	93.13	93.16	92.97	93.00
Sept	93.12	93.15	92.98	93.02
Dec	93.03	93.07	92.91	92.95
March	92.86	92.89	92.74	92.78
June	92.69	92.72	92.59	92.62
Sept	92.53	92.55	92.45	92.47
Dec	92.38	92.39	92.30	92.32
March	92.24	92.28	92.18	92.19

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth	3-mth	6-mth	12-mth
1.4480	1.4431	1.4342	1.4255	1.4108

IMM—STERLING $s per £

	Close	High	Low	Prev
June	1.4390	1.4465	1.4300	1.4470
Sept	1.4300	1.4380	1.4220	1.4380
Dec	1.4200	1.4280	1.4130	1.4280

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.4385	1.4465	1.4370	1.4484
Sept	1.4275	—	—	1.4385
Dec	1.4187	—	—	1.4307

Est. Volume 127 (91).
Previous day's open int. 2,486 (2,428).

CURRENCY MOVEMENTS

April 4	Bank of England Index	Morgan Guaranty Change %
Sterling	76.4	−14.3
U.S. dollar	121.5	−10.9
Canadian dollar	80.1	−11.8
Austrian schilling	121.5	−6.6
Belgian franc	92.1	−9.0
Danish Kroner	83.4	−3.1
Deutsche mark	132.0	+12.5
Swiss franc	153.2	+18.5
Guilder	122.2	+7.7
French franc	68.5	−12.1
Lira	44.8	−19.3
Yen	195.7	+43.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).
*Morgan Guaranty rates are for April 3.

OTHER CURRENCIES

April 4	£	$
Arg'tina	1.1580-1.1607	0.8000-0.8010
Aus'alia	2.0165-2.0205	1.3915-1.3930
Brazil	19.9920-20.0445	13.77-13.84
Finland	7.6780-7.7180	5.2960-5.3080
Greece	209.80-215.80	145.00-149.00
H'kong	11.3250-11.3450	7.8180-7.8140
Iran	120.25*	80.55*
Kuwait	0.4220-0.4230	0.2918-0.2920
Lux'burg	71.40-71.50	49.30-49.40
Malaysia	3.8660-3.8760	2.6600-2.6650
N Z'land	2.6250-2.6350	1.8115-1.8155
Saudi Ar.	5.2825-5.2935	3.6490-3.6510
Sin'pore	3.1645-3.1745	2.1885-2.1905
S.Af. Cm	3.0160-3.0320	2.0855-2.0940
S.Af. Fn	4.5235-4.6710	3.1350-3.2250
U.A.E.	5.3100-5.3200	3.6715-3.6745

* Selling rate.

CURRENCY RATES

April 4	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.771081	N/A
US $	7	1.12970	"
Canadian $	10.14	1.57367	"
Austria Sch	4	19.6434	"
Belgian Fr	8¾	55.0446	"
Danish Kr	7	9.92159	"
D'mark	3½	2.66699	"
Guilder	4½	3.05155	"
French Fr	9½	8.27392	"
Lira	12	1830.11	"
Yen	4	201.353	"
Norway Kr	8	7.78444	"
Span'h Pta	—	168.515	"
Swedish Kr	8½	8.36825	"
Swiss Fr	4	2.23794	"
Greek Drch	20½	N/A	"
Irish Punt	—	N/A	"

*SDR rates are for April 3.

POUND SPOT—FORWARD AGAINST POUND

April 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4400-1.4580	1.4475-1.4485	0.51-0.48c pm	4.10	1.41-1.36pm	3.83
Canada	2.0075-2.0240	2.0075-2.0115	0.13-0.02c pm	0.45	0.51-0.27pm	0.87
Nethlnd.	3.87½-3.91¼	3.90-3.91	2½-1⅝c pm	6.16	5⅝-5⅛pm	5.58
Belgium	70.49-73.96	71.40-71.50	21c pm-3 dis	1.52	54-8pm	1.77
Denmark	12.71½-12.89¾	12.80¾-12.81¾	4⅝-3⅞ore pm	3.87	12⅛-10⅞pm	3.62
Ireland	1.1500-1.2500	1.1590-1.1600	0.25-0.40p dis	−3.37	0.65-0.85dis	−2.42
W. Ger.	3.44-3.47¼	3.45½-3.46½	2¼-2pf pm	7.15	5¾-5⅝pm	6.58
Portugal	215.75-231.19	215.75-230.55	150-410c dis	−14.67	400-1190dis	−13.89
Spain	217.50-224.90	220.10-224.90	20-65c dis	−2.30	95-200dis	−2.57
Italy	2363½-2454	2409½-2410½	8-14 lire dis	−5.49	22-30dis	−4.32
Norway	10.63½-10.81½	10.71-10.72	1½-3½ore dis	−2.93	5¼-7¾dis	−2.31
France	10.81½-11.11½	10.96-10.97	5-6½c dis	−6.48	5½-7½dis	−2.34
Sweden	10.75¼-10.93½	10.85½-10.86½	1¼-¾ore pm	0.83	2-½pm	0.53
Japan	255½-262	260¾-261¾	1.40-1.28y pm	6.11	3.30-3.75pm	5.85
Austria	24.20-24.39	24.33-24.39	14⅞-12⅛gro pm	6.70	37¾-33¾pm	5.89
Switz.	2.86½-2.90	2.89½-2.89¾	1⅝-1¼c pm	7.51	5⅛-5pm	6.99

Belgian rate is for convertible francs. Financial franc 72.05-72.25. Six-month forward dollar 2.28-2.23c pm, 12-month 3.80-3.65c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

April 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4400-1.4580	1.4475-1.4485	0.51-0.48c pm	4.10	1.41-1.36pm	3.83
Ireland†	1.2000-1.2500	1.2480-1.2500	1.30-1.05c pm	11.51	2.95-2.30pm	8.57
Canada	1.3875-1.3915	1.3885-1.3895	0.40-0.44c dis	−3.62	1.00-1.05dis	−2.95
Nethlnd.	2.6700-2.7010	2.6970-2.6980	0.43-0.40c pm	1.86	1.21-1.18pm	1.78
Belgium	48.75-49.40	49.30-49.40	5-20c dis	−3.06	10-40dis	−2.04
Denmark	8.77-8.85	8.84¼-8.85	⅞-1⅝ore dis	−1.53	2⅞-3¼dis	−1.39
W. Ger.	2.3670-2.3990	2.3885-2.3895	0.58-0.53pf pm	2.80	1.68-1.63pm	2.76
Portugal	158-158	158-159	150-300c dis	−17.03	400-1000dis	−17.67
Spain	152-153½	153-153¼	50-80c dis	−5.10	150-200dis	−4.58
Italy	1650-1670	1660-1670	12-14 lire dis	−9.76	32-34dis	−7.95
Norway	7.34-7.40¾	7.39½-7.40½	3.75-4.25ore dis	−6.55	11-11½dis	−5.17
France	7.47-7.58¼	7.56½-7.56¾	1½-3c dis	−3.58	2½-3dis	−1.99
Sweden	7.43½-7.51	7.49½-7.50½	1.70-2.10ore dis	−3.13	5⅝-6¼dis	−3.28
Japan	179.50-180.75	180.10-180.20	0.31-0.28y pm	1.97	0.90-0.83pm	2.09
Austria	16.63½-16.83½	16.77½-16.78½	2.87-2.20gro pm	1.86	8-3pm	1.82
Switz.	1.9770-2.0010	1.9995-1.9995	0.58-0.53c pm	3.35	1.62-1.57pm	3.20

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 49.70-50.00.

EXCHANGE CROSS RATES

Apr. 4	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.448	3.460	260.8	10.97	2.910	3.905	2410.	2.010	71.45
$	0.691	1.	2.389	180.2	7.575	1.996	2.698	1665.	1.388	49.35
DM	0.289	0.418	1.	75.36	3.196	0.837	1.129	696.5	0.581	20.65
YEN	3.835	5.553	13.27	1000.	42.05	11.11	14.98	9243.	7.707	274.0
F Fr.	0.912	1.321	3.155	237.8	10.	2.699	3.561	2198.	1.833	65.16
S Fr.	0.345	0.501	1.196	90.30	3.797	1.	1.358	834.5	0.696	24.74
H Fl.	0.256	0.371	0.885	66.77	2.008	0.743	1.	617.2	0.515	18.30
Lira	0.415	0.601	1.436	108.2	4.550	1.224	1.620	1000.	0.834	29.65
C $	0.498	0.721	1.722	129.8	5.457	1.432	1.943	1199.	1.	3556
B Fr.	1.400	2.027	4.843	364.9	15.35	4.093	5.465	3373.	2.812	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4480	1.4431	1.4342	1.4255	1.4108
D-Mark	3.4600	3.4398	3.4035	3.3616	3.2839
French Franc	10.9650	11.0238	11.0294		
Swiss Franc	2.8975	2.8852	2.8367	2.7976	2.7250
Japanese Yen	260.75	259.42	256.52	254.01	248.82

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	—	—	—	—
Danish Krone	7.91896	—	—	—	—
German D-mark	2.13834	—	—	—	—
French Franc	6.9628	—	—	—	—
Dutch Guilder	2.40935	—	—	—	—
Irish Punt	0.712956	—	—	—	—
Italian Lira	1496.21	—	—	—	—

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

April 4	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmrk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 7⅝-7¾ per cent; three years 7¾-7⅞ per cent; four years 7⅞-8 per cent; five years 8-8⅛ per cent nominal. Short-term rates are call for US dollars and Japanese yen; other two days' notice.

MONEY MARKETS

Cautious optimism remains

UK clearing banks base lending rate 11½ per cent since March 19

Interest rates were barely changed in London last week although the market was still quietly confident that base rates would fall quite soon. There has been no real effort to force the pace following the Bank of England's friendly message last month when the market failed to switch out of overdrive even though base rates had been cut by a full point in the same week. That the Bank signalled patience rather than disapproval seems to have had some effect.

Despite this the market remains optimistic and although other factors will play a part, a reduction in the rate of inflation and sterling's recent resilience to oil price fluctuations must improve the outlook for base rates near to single figures.

However there is also good reason to be a little cautious. There cannot be many people in the market who would rule out entirely the possibility of sterling tripping up on oil price uncertainty. That this may not happen (or some may argue that it already has) is insufficient for the authorities at least to give the market a free rein.

Wednesday sees the release of UK banking figures which will give some idea about the timing of another cut in rates. Whatever the timetable a meeting of Opec ministers on April 15 could persuade the authorities that waiting another week or so would not make all that much difference.

NEW YORK RATES
(4 pm)

Prime rate	9
Broker loan rate	8¼-8½
Fed funds	7⅛
Fed funds at intervention	—
One month	6.13
Two month	6.37
Three month	6.41
Six month	6.50

Treasury Bills & Bonds

One year	6.56
Two year	6.80
Three year	7.00
Four year	7.12
Five year	7.23
Seven year	7.33
10 year	7.44
30 year	7.53

BANK OF ENGLAND TREASURY BILL TENDER

	April 4	Mar. 27		April 4	Mar. 27
Bills on offer	£100m	£100m	Top Accepted rate of discount	10.7294%	10.7495%
Total of applications	£507m	£684m	Average rate of discount	10.7009%	10.7440%
Total allocated	£100m	£100m	Average yield	10.99%	11.04%
Minimum accepted bid	£97.325	£97.32	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	17%	60%			

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	April 4	change
Base rates	11½	Unch'd
7 day interbank	11⅛	−⅛
3mth interbank	11	−⅛
Treasury Bill Tender	10.7009	−0.0451
Band 1 Bills	11⅝	Unch'd
Band 2 Bills	11⅞	Unch'd
Band 3 Bills	11¼	Unch'd
Band 4 Bills	11⅛	Unch'd
3 Mth. Treasury Bills	10⅞	−⅛
1 Mth. Bank Bills	11⅛	—
3 Mth. Bank Bills	10⅞	−⅛
TOKYO		
One month Bills	5.21875	−0.4375
Three month Bills	5.21875	−0.125
BRUSSELS		
One month	9⅞	+⅛
Three month	9½	+⅛
AMSTERDAM		
One month	5½	—
Three month	5⅛	Unch'd

NEW YORK	April 4	change
Prime rates	9	Unch'd
Federal funds	7⅛	—
3 Mth. Treasury Bills	6.41	−0.13
6 Mth. Treasury Bills	6.50	−0.13
3 Mth. C D	7.01	−0.15
FRANKFURT		
Lombard	5.5	Unch'd
One Mth. Interbank	4.45	−0.375
Three month	4.475	−0.825
PARIS		
Intervention Rate	8¼	Unch'd
One Mth. Interbank	8⅛	+
Three month	8¼	Unch'd
MILAN		
One month	14½	—
Three month	14⅛	—
DUBLIN		
One month	14⅝	−1⅛
Three month	13	−1⅝

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

April 4	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.4-4.5	4.35-4.55	4.40-4.55	4.40-4.55	4.40-4.55	5.5
Paris	8⅛	8⅛-8⅛	—	8⅛-8	—	8¼
Zurich	⅞-1⅛	4-4⅛	—	5⅛-4⅛	—	—
Amsterdam	5⅛-5⅛	5⅛-5⅛	—	5⅛-5⅛	—	—
Tokyo	5.21875	5.21875	—	5.21875	—	—
Milan	15⅛-16¼	14⅝-15	—	14⅝-14⅞	—	—
Brussels	6.35	9⅛-9⅛	—	9¾-9⅞	—	—
Dublin	—	14¼-14½	13½-13¾	12¾-13¼	11-12	—

FT LONDON INTERBANK FIXING

(11.00 a.m. April 4) Three months US dollars		Six months US dollars	
bid 7 5/16	offer 7 5/16	bid 7 1/8	offer 7 1/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

April 4	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	6-11⅝	11⅛-11⅝	11⅛-11⅞	11⅛-11⅛	10⅞-10⅞	10¼-10⅛
Sterling CDs	—	—	11⅛-11⅝	11-11⅛	10⅞-10⅞	9⅞-10
Local Authority Depos	11½-11⅝	11½-11⅝	11½	11⅛	10⅛	10¼
Local Author'y Bonds	—	—	12	11⅛	10⅝	10⅜
Discount Mkt Depos	5-11⅛	11¼-11⅛	11⅛	10⅞	—	—
Company Depos	9½-11⅛	11⅛-11⅞	11⅛-11⅞	11¼-11⅛	—	—
Finance House Depos	—	—	11⅞	11¼	10½	10¼
Treasury Bills (Buy)	—	—	11⅜	10⅛	—	—
Bank Bills (Buy)	—	—	11⅜	10⅞	10	—
Fine Trade Bills (Buy)	—	—	12	11⅛	10⅝	—
Dollar CDs	—	—	7.20-7.25	7.10-7.15	7.05-7.10	7.05-7.10
SDR Linked Depos	—	—	7¼-7½	6⅞-7⅛	6¾-7	6⅝-7
ECU Depos	—	—	8¾-9¼	8-8½	7¾-8¼	7½-8

Treasury Bills (sell): one-month 11⅛ per cent; three-months 10 ⁂ per cent. Bank Bills (sell): one-month 11 ⁂ per cent; three-months 10 ⁂ per cent. Treasury Bills: Average tender rate at discount 10.7009 per cent. ECGD Fixed Finance Scheme IV reference date March 5 to April 1 (inclusive): 11.677 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ per cent from April 1 1986. Bank Deposit Rate for sums at seven days' notice 5½-6 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11¾ per cent; one-three months 11¼ per cent; three-six months 11 per cent; six-nine months 10½ per cent; nine-12 months 10¼ per cent. Under £100,000 10¼ per cent from March 25. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 7 per cent.

APOLOGY

The Financial Times apologises to the British Airports Authority for having published incorrect copy in their full page advertisement carried in the newspaper dated Friday, April 4th.

The new terminal 4 opens on April 12th. The erroneous copy implied that the date was 'tomorrow.'

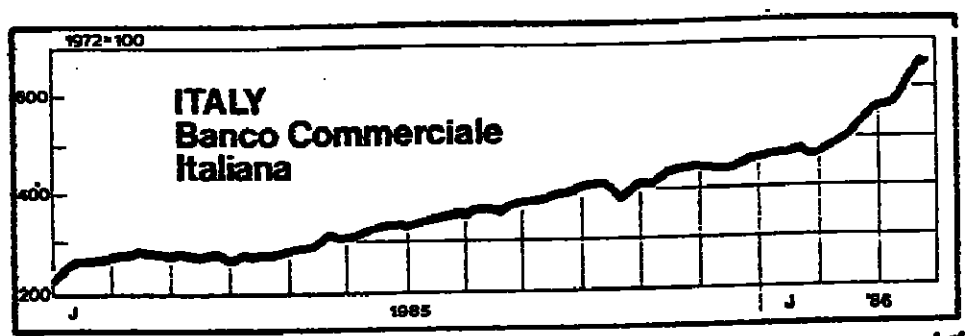
SECTION III

FINANCIAL TIMES SURVEY

ITALY

Prime Minister Craxi has enjoyed power for more than 2½ years, an unrivalled post-war feat. He has presided over an expanding economy and Italy is no longer a country racked by crises

Mr Craxi consolidates



Share prices on the Milan Bourse have soared (see index above) under the stable government of Bettino Craxi (right). Also helping has been an industrial revival, spearheaded by men like Gianni Agnelli (left) and Carlo de Benedetti (centre).

EXACTLY FIVE years ago the Financial Times began a major survey of Italy with the words: "Where else but in Italy could the word crisis have been all but stripped of meaning? Today, the country, to Italians and foreigners alike, seems in a worse-than-usual shambles."

The writer pointed to 20 per cent inflation, strikes, terrorism, mountainous losses by state industry, a political stalemate and a general sense of despair, epitomised by endless newspaper editorials asking: "Where will it all end?"

By JAMES BUXTON

Rome Correspondent

Today, the contrast with 1981 could hardly be more complete.

Italy has had the same Government for more than two and a half years—a feat unmatched in its post-war history. The unions are quiescent and strikes are at their lowest level for a generation. The economy is expanding quite nicely and will this year receive a further boost from the fall in the oil price and in the dollar.

Italian private sector companies are prospering hugely and the publicly-owned ones are improving. The stock exchange is roaring like a furnace—perhaps rather too fiercely. The press grumbles, but it no longer despairs. Italy, in fact, has ceased to be a country of crisis.

That does not mean that Italy has lost its capacity for drama, or even for disaster. In a classically enigmatic end to the big financial and political scandals of the 1970s and early 1980s, Mr Michele Sindona, the convicted banker, died from cyanide a few weeks ago—leaving the arguments as to whether he had committed suicide or been murdered finely balanced. Despite the efforts of Mr Bettino Craxi, the Prime Minister, to improve Italy's international image, the Government has in the past few days had to order wine exporters to certify that their wine does not contain illegal quantities of methanol after the deaths of about a dozen Italians from drinking poisonous wine.

And anyone coming to Italy expecting to find the country visibly transformed will be disappointed: the centres of big cities are even more opulent but their outskirts just as squalid as five years ago. The traffic in Rome and Naples is probably even more appalling and if domestic air and train services have improved, they are still much worse than those of Italy's European neighbours. It still takes an age to cash a cheque.

The writer in 1981 was at pains to point out that official, state-run Italy was not the only one: that beneath the superficial chaos were hard-working, serious Italians, that in prosperous towns in the north and centre the word crisis did not mean much, and that a weak state was probably the best formula for a diverse and energetic country.

By that date, in fact, the first symptoms of recovery were beginning to show. In 1979 a small group of politicians and economists had taken the decision to bring Italy into the European monetary system. That put an end to the days of easy devaluation and industry had to put its house in order. The following year, as a direct consequence Fiat, the country's largest private enterprise, took on its unions in a strike and won. It not only achieved the right to cut the labour force and restructure but so transformed the industrial climate, that other private sector companies could follow suit.

Even so the recovery of Italian industry which came next astonished almost everybody. Fiat is probably the continent's most profitable large scale car maker and Olivetti its biggest indigenous data processing equipment maker.

By 1983 foreign companies were making big investments in Italy; the following year institutional investors began to turn their attention to Italian equities. Now it is Italian companies that are expanding abroad: there were two Italian bidders for Westland; the Ferruzzi group, a dark horse even in Italy until a few months ago, is trying to take over British Sugar Corporation; and the French are complaining that their country has become a banana republic for Italian industrial investors.

Men like Mr Gianni Agnelli, chairman of Fiat, his managing director, Mr Cesare Romiti and Mr Carlo De Benedetti, whose empire expands almost daily from its original base in Olivetti, are lionised in the Italian media as never before. Even state sector managers are now looked up to: ENI, the state energy company, last year made the biggest profits in its history.

Governments themselves, beset by the problems of coalition government and an unwieldy bureaucracy, have usually preferred to nudge change along gently rather than take decisive action. The fall in inflation—now at 7 per cent—was mainly due to external factors.

The big exception has been the campaign over the past four years to reduce the scala mobile wage indexation system—a campaign to which Mr Craxi made a politically decisive contribution in 1984. Last winter a much less inflationary form of indexation was agreed and the question has ceased to be a political issue.

Where governments have almost completely failed, Mr Craxi's among them, is to hold down the government deficit and the national debt, which is now as big as gross domestic product. When they have taken action it has usually been to increase revenue, not to cut spending.

Scala Mobile

The alarming fact is that the cuts in spending that are now required (if a dent is to be made in the deficit) are now so big and would be so deflationary that bolder governments than this one would quail at the thought of them.

So, to the despair of the Bank of Italy and of most businessmen, Italy seems condemned to live with an economy that is partially closed to the world by exchange controls, and with a monetary policy whose principal objective is to ensure that the Government obtains enough money to fund itself—at high real rates of interest.

Mr Craxi's contribution has been the immensely valuable gift of continuity in government. Ministers can at least plan, even if they do not seem to implement very much, without the interruption of a change of government every ten-and-a-half months. Such events as the privatisation of minority stakes in companies controlled by IRI would probably never have got under way in the old days of regular hiatus.

Probably the most dramatic symbol of the new continuity is

CONTINUED ON PAGE 12

CONTENTS

Mr Craxi's five-party tightrope

Politics
JAMES BUXTON

MR BETTINO CRAXI, the Socialist Prime Minister, and Mr Ciriaco De Mita, the Christian Democrat leader, do not like each other. They go for months without speaking. But last month a meeting between the two men whose alliance keeps the Government in power could be postponed no longer.

In conditions of strictest secrecy the meeting was held at a neutral location somewhere in Rome.

The subject was the future of the Craxi Government. The coalition is tired, fractious and losing its sense of purpose. On the other hand, Mr Craxi is a good Prime Minister and there is no obvious reason to replace him. The answer should be to reshuffle the cabinet and draw up a fresh programme. Yet that depends on how long Mr Craxi can continue in the anomalous position of being Prime Minister from a minority party.

As everyone knows, Mr Craxi leads the Socialist party, Italy's third biggest political party, after the Christian Democrats and the Communists. In June 1983 general election it won 11.4 per cent of the vote.

Mr Craxi became Prime Minister after that election because his party was more than ever essential to forming a coalition, and because the Christian Democrats had just suffered the biggest electoral disaster in their history, going down from 38.3 per cent of the vote to 32.9 per cent.

Mr Craxi's five-party administration — which includes not only Christian Democrats and Socialists, but also Republicans, Social Democrats and Liberals — has survived because the arithmetic still works in his favour and because he is exceptionally skilful at making sure that the political game is always played on his terms.

Reinforced

But there is another factor which, strangely, has worked to his advantage until now. The fortunes of the Christian Democrat party have improved; in the 1984 European elections they scraped a tiny but psychologically important rise in their vote — of 0.1 per cent. Last May, in the regional elections, they achieved, to their own surprise, a jump of 2 per cent to 35.1 per cent.

These electoral gains actually made it more easy for the Christian Democrats to tolerate Mr Craxi remaining in the prime ministership. They reinforced the position of Mr Ciriaco De Mita, the gloomy but immensely astute party leader, making it easier for him to keep the dissidents under control. They demonstrated that there was so far little electoral disadvantage to the Christian Democrats in not *holding the prime ministership* — not only did their vote go up but that of their big rivals, the Communists, went down (to 30.1 per cent last May); that of the Socialists rose, but only slowly, and not at the expense of the big Catholic party.

Indeed, letting Mr Craxi have the pains as well as the pleasures of office gives another advantage to the Christian Democrats: with the big prize of Palazzo Chigi, the Prime Minister's Office, in Socialist hands, the Christian Democrats can extend their power in other areas, some of which may be *of more* lasting importance to them: they can take a larger share of influential appointments, especially at the local level, in banks, for example—usually giving them to men personally faithful to Mr De Mita.

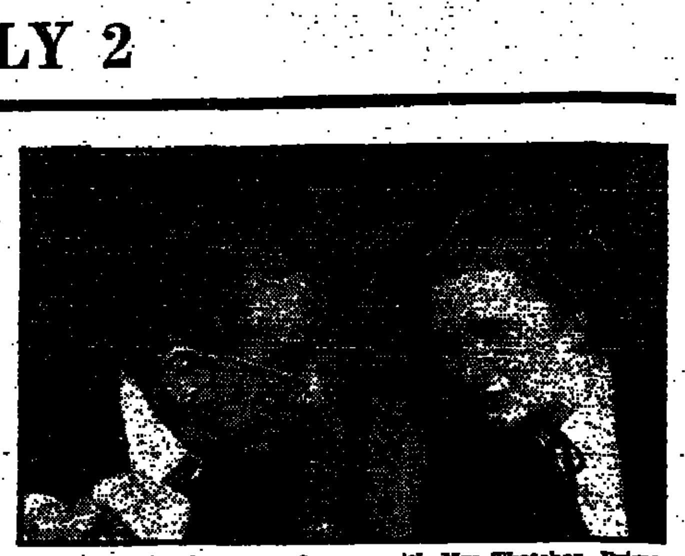
And last year they also won back the Presidency of the Republic from the Socialists: thanks to brilliant manoeuvring by Mr De Mita, all the major parties voted—on the first ballot—to send Mr Francesco Cossiga, a former Christian Democrat prime minister, to the Quirinale Palace, replacing the venerated Mr Sandro Pertini, whose term *had* expired.

Last summer was good for the Coalition Government as a whole, in another way. The absurd referendum promoted by the Communist Party on a minor aspect of the scala mobile wage indexation was held in June, and the Communists were beaten by a decisive 8 per cent margin. The Communists have been feeling sorry for themselves ever since, and are starting to revise their whole strategy.

In theory, the Craxi Government ought to have won a new lease of life; in practice, the *going got rougher*.

Italian politicians, specially those in the vast Christian Democrat party, are used to a rapid turnover of administrations. Until the Craxi Government came along, administrations lasted an average of ten and a half months. With such a timescale MPs who failed to get a government post in one administration could reasonably expect a second chance a few months later.

But when the government lasts as long as that of Mr Craxi has done, for more than two and a half years, they are bound to become frustrated. This frustration rising throughout last autumn, became blatantly obvious in January and February this year, when many Christian Democrat MPs repeatedly used the secret ballot in Parliament to vote against the Finance Bill, or simply refused to vote at all.



Francesco Cossiga in conference with Mrs Thatcher, Prime Minister of the UK: brilliant manoeuvring sent him to the Quirinale Palace.

The political crisis that blew up last October in the wake of the hijacking of the liner Achille Lauro could have resolved matters, but did not. Mr Craxi resigned after the Republican party, led by Mr Giovanni Spadolini, a former Prime Minister and now Defence Minister, pulled out of the Government in protest against Mr Craxi's handling of the smuggling out of Italy of the *PLO* terrorist leader, Abu Abbas.

Mr Craxi managed to cut the ground from under Mr Spadolini by demonstrating publicly that the US Government had treated Italy disgracefully over the whole affair.

The Christian Democrats, on the other hand, refused to let Mr Craxi form a new government without the Republicans, as he hinted that he would like to do. Mr Craxi's prestige was so high, however, that there was no question of his leaving the prime ministership. So the answer was to re-form the government exactly as it was before, even to the extent of declaring Mr Craxi never to have resigned—and he was able to claim the record a few weeks later for the longest-surviving *government in Italy's post-war* history.

Priority

At the end of February, the 1986 Finance Bill was finally approved, removing one more reason for postponing a settling of accounts in the Government. There is plenty of legislation which the Government still wants to get approved, but a good part of its original programme has been implemented.

Mr Craxi would like to achieve a complete re-launch of his Government, under his own direction, of course: that would involve a new cabinet, a new programme and firm, if unpublished, guarantees from Mr De Mita that he can stay in power for another year or so, perhaps even to the end of the legislature, due in 1988, or, at any rate, not far short of it.

Exactly what Mr De Mita really wants is rather less clear. His first priority is to achieve some sort of agreement which he can present to the Christian Democrat party congress in May and help ensure his re-election as party secretary *for* a third term.

He has to report to his party on what has happened to the idea of "alternanza" or alternation, by which the Christian Democrats and Socialists in 1983 apparently agreed that Mr Craxi would be prime minister for the first part of the present parliament and that the post would revert back to a Christian *Democrat in the second half.*

But he does not seem very keen to insist that alternanza takes effect here and now and anyway Mr Craxi shows no sign of accepting it. The formula of Mr Craxi in the prime ministership under Christian Democrat tutelage is a lot better than the alternative: a disgruntled Mr Craxi, with the potential to cause trouble in the way that made life almost impossible for Christian Democrat and Republican prime ministers before 1983.

This relatively cosy picture is based entirely on the assumption that there is no alternative to the "pentapartito" — the grouping of five centre-left parties, with the Communists in opposition.

What would happen if Mr Craxi made a deal with the Communists?

Up to now the Socialist leader has correctly judged that his best chances of obtaining and holding power were through an alliance with the Christian Democrats. He had no wish to see his party swamped in an alliance with the much bigger and better organised grouping of the left. He is, by instinct, anti-Communist.

Yet many members of the Socialist party are to the left of Mr Craxi and favour a Communist alliance, especially now that the Socialists believe that they could get it more on their own terms than in the past. Twice in recent months Mr Craxi has gone out of his way to say things that pleased the Communists: last November on the issue of terrorism, in the wake of the Achille Lauro affair; and earlier this month when he flattered the Communist-oriented CGIL union and attacked Italy's entrepreneurs.

Even a degree of Communist benevolence towards Mr Craxi makes it that much more difficult to wrest the prime ministership from him. And the longer he stays in power, the greater the influence of the Prime Minister's Office becomes. That is something the Christian Democrats ought not to forget as the 1988 deadline for the next general elections comes nearer.

The parliamentary arithmetic for a Socialist-Communist coalition does not add up and it is inconceivable that Mr Craxi would squander his reputation with Italy's Nato allies by an about-face of such a kind. But it does his position no harm at all to send shivers down the spine of many Christian Democrats by hinting that, at some stage in the future, he might obtain, for example, Communist abstention in certain parliamentary votes, making the Christian Democrats less than indispensable.

PROFILE: GIULIANO AMATO

By JAMES BUXTON

Powerhouse in the Palazzo Chigi

A SHORT, rather slender man with the rank of junior minister is now one of the most influential figures in Mr Bettino Craxi's administration. He is Mr Giuliano Amato who holds the post of Under-Secretary in the Prime Minister's Office, Palazzo Chigi.

Mr Amato is, in effect, head of the Prime Minister's staff and Secretary to the Cabinet. He keeps Mr Craxi informed on what is going on, makes sure he is well briefed, and carries out delicate political missions on his behalf.

Increasingly, however, he has been helping to ease the Government's business *through Parliament, mediating* between dissenting ministers and—an unprecedented role for a junior minister—chairing meetings of ministers. Furthermore, he has been taking steps to make the Prime Minister's office a centre of policy making and co-ordination which it has never been before.

Mr Amato, who is 47, was a professor of law at Rome university before being elected a Socialist Party MP in 1983 in the Turin area where he was born. Before then he had chaired a Government committee charged with *looking into the workings of* the Presidenza del Consiglio, the Office of the Prime Minister, in which he now serves.

The Italian Prime Minister's office, housed around the courtyard of Palazzo Chigi in the centre of Rome, has nothing like the power of its other European equivalents. The Prime Minister cannot freely choose his ministers (they are chosen for him by the parties in his coalition); he cannot sack ministers; his powers to resolve disputes between ministers are minimal; and he has only limited control of the policies and legislation promoted by individual ministers. He is, in short, a primus inter pares.

Mr Craxi complained from an early stage at the impotence of his office. But though energetic, his attention to Government issues can be spasmodic. Mr Amato, on the other hand, is not only highly energetic but also thorough and very efficient. Thanks to his capacity for work and his determination to find out what is going on, he has made himself indispensable, first to the Prime Minister and now, gradually, to the Government as a whole.

Where Mr Craxi's methods might sometimes be too forceful, Mr Amato uses charm and guile, as well as a good sense of what is in the Socialist Party's interests. He played a key role in blocking the sale last year of the IRI subsidiary, SME, to Mr Carlo De Benedetti, a deal of which Mr Craxi thoroughly disapproved.

It was in his office that the mechanism was devised by which Abu Abbas, the Palestinian terrorist leader, was spirited out of Italy after the Achille Lauro affair.

"Mr Craxi owes an immense amount to Amato," says an official who works closely with him. "He may not realise how lucky he is."

Increasingly, Mr Craxi delegates to Mr Amato the role of presiding over meetings of groups of ministers, particularly on economic subjects. It was Mr Amato who co-ordinated the policy on how Italy should deal with the windfall gains from the fall in the oil price and the dollar.

Mr Amato has been able to build up his power because he has access to information that not all his predecessors in his job have enjoyed. In the past, Palazzo Chigi was often unaware of all that was going on and being legislated in the Senate and Chamber

Giuliano Amato: carries out delicate political missions on behalf of Prime Minister Craxi

of Deputies and in the 26 parliamentary committees—all of which have the power to make laws.

But now the Palazzo Chigi staff that keeps track of Parliament has been increased severalfold: they give Mr Oscar Mammì, Minister for Parliamentary relations, and Mr Amato himself, news on what ministers are doing. Mr Amato can then check back with the ministers involved and, in the case of matters involving spending money, check with the Treasury—which will usually object.

Last year Mr Craxi signed a circular to all ministers drafted by Mr Amato which ordered them to pass all Bills and amendments to Bills through the Prime Minister's Office, and to obtain the permission of the office before proposing to parliament any measure that might involve extras spending or lower revenue.

This step, which might have been considered a normal precaution in other countries, was revolutionary in Rome, and greatly expanded the control over the government exercised by Palazzo Chigi—and by Mr Amato. Yet ministers complied with it.

What Mr Amato needs now are more departmental experts under him at Palazzo Chigi to enable the Prime Minister's Office to formulate policy on its own. Already, an economics department has been created, and is starting to challenge the Bank of Italy's near-monopoly of economic and financial advice to the Government.

Mr Amato has been able to advance the frontline of the Prime Minister's Office, thanks in part to the extraordinary continuity provided by a Government that has lasted more than two-and-a-half years. Now a Bill drafted by Mr Amato is successfully making its way through Parliament which would increase the Prime Minister's powers, giving him the official right in law to co-ordinate the activities of the Government, to settle disputes between ministers, and to annul actions by ministers while the question is considered by the Cabinet.

While Mr Craxi stays Prime Minister, Mr Amato remains secure. He works incessantly, not even taking a summer break. "I work at Palazzo Chigi from 8.30 in the morning to about 10.30 at night," he told a TV interviewer. "When I get home" (he is married with two teenage children) "I just put on a bowl of soup."

What would happen when Mr Craxi eventually leaves Palazzo Chigi is less clear. But intriguing parallels have been drawn with Mr Giulio Andreotti. He filled the post that Mr Amato now occupies between 1946 and 1954 and went on to become Prime Minister five times.

Intense national discussion

Foreign policy

JAMES BUXTON

ITALIAN FOREIGN policy used to be inconspicuous. Italy rarely did anything controversial or moved out of step with its allies, and the policies it pursued hardly ever provoked public debate. They were guided by an almost unspoken understanding between the governing political forces.

But in the past few months foreign policy has not only come within an ace of bringing down the Government of Mr Bettino Craxi, but has created rifts in the ruling coalition which have still not completely healed. The national discussion has been so wide that the country's leading industrialist, Mr Gianni Agnelli, head of Fiat, felt obliged to state his point of view.

Italy began adopting a higher profile in foreign affairs in 1979, when it accepted the basing of US cruise missiles on its soil. In the next few years Italy agreed to participate in the US-sponsored peace-keeping force in Sinai, sent a large contingent of troops to Lebanon to maintain the peace there, and year-by-year stepped up its foreign aid programme in a way which has astonished other donor countries by its generosity.

Since he came to power in August 1983, Mr Craxi and his highly active Foreign Minister, Mr Giulio Andreotti, have built on these foundations. Mr Craxi, though initially very inexperienced in foreign affairs, has developed an obvious liking for them, perhaps mindful of the former Mr Harold Macmillan's dictum: "At home you're a politician, abroad you're a statesman." Through relentless travelling to almost all parts of the world he has become a well-known figure on the international stage, and this has done much for Italy's standing.

There are three fundamental strands in Italy's post-war foreign policy. The first and most important is its alliance with the US and its membership of Nato.

Vulnerable

As a country with a long coastline always vulnerable to invasion, Italy has historically been at the behest of any country that controlled the Mediterranean. In the 19th and early 20th centuries Italy had to keep on good terms with Britain whose Navy dominated the Mediterranean.

Now this function is performed—in the face of a Soviet challenge—by the US Sixth Fleet, and given the relatively small size of Italy's armed forces the US has the ultimate responsibility for Italy's defence. This gives Washington a position of influence in Italy that has no parallel with its role in other European countries.

The second strand is Italy's commitment to the EEC. It was the hope of the Italian architects of the treaty of Rome that Italy would find membership of a wider European grouping a good way of diminishing the country's internal contradictions and divisions. Most Italians believe that European unity is both desirable and attainable.

As a recent example, Mr Nino Andreatta, the former Treasury Minister, told a magazine in answer to a question about the Bank of Italy: "Fortunately, within a generation the Bank of Italy will very probably not exist. There will just be an Italian branch of the European central bank . . ."

The third strand is Italy's perennial desire to increase its influence in the Mediterranean and act as a bridge between the Arab world and Europe. This aim makes sense in view of Italy's geographical position and the nature of Italy itself—divided between a Central, European north and a Mediterranean south. From Italy's Mediterranean aspirations stem the country's wider interests in the whole of the Third World, where the Italians are aided by a past in which they usually fell foul of the major colonial powers.

Third World

Before he became Foreign Minister, Mr Andreotti's interests were mainly, if not almost exclusively, with the third of those strands—the Mediterranean and the Third World. Yet one of the most striking features of his tenure of the Foreign Ministry has been the insistence with which he has pressed Italy's point of view in the EEC.

Mr Andreotti gives frequent interviews to the Italian press and writes a weekly column in the magazine "Europeo": usually he expresses himself in phrases dense with equivocation and hidden meaning, but his public statements on the EEC are straightforward to the point of trenchancy.

It was he who insisted most forthrightly on the rejection of the British proposal for partial reform of the community's institutions at the summit in Milan last June, held at the end of Italy's presidency of the community; and it was he who pushed through the solution of an inter-governmental conference on reform.

When, at the Luxembourg summit last December, only a limited reform package was agreed, it was Mr Andreotti who insisted that Italy reject it unless it was accepted by the national and European parliaments. Italy accepted the package only when Denmark, which had rejected it for opposite reasons, to Italy, stepped into line at the end of February. There is little doubt that Mr Andreotti consistently took a more radical view than Mr Craxi would have done.

The Italian Government genuinely believes that it will not be possible to achieve a free internal market in the EEC without stronger supra-national institutions, including a more powerful European parliament. It believes that the internal market that exists in the US would never have been achieved if there had been only the equivalent of the European Commission in Washington.

The unanswered question is whether Italian politicians and bureaucrats would really be prepared to give up power over many matters of everyday life to a supra-national authority.

As for the Soviet Union, Mr Craxi and Mr Andreotti have achieved an improvement of relations which had suffered both from Italy's acceptance of cruise missiles and Italian hesitation in agreeing to buy Siberian gas.

The Soviets responded by cutting Italy out of a number of big contracts, so that Italy's deficit on Soviet trade widened alarmingly.

In the past year, however, a number of major contracts have been won by Italian companies, but perhaps no more than Italy would normally regard as its fair share. Others, however, are under negotiations.

But it is on the Middle East that many of the energies of Mr Craxi and Mr Andreotti have been focused. Their aim here was to contribute decisively to pushing forward the peace process by developing strong ties with the major Arab countries (Egypt, Syria, Jordan and Tunisia); by helping to bring the Palestine Liberation Organisation to the negotiating table, and by trying to convince other countries, notably the US and Israel, that the PLO was a valid interlocutor. If the policy worked, Italy's prestige and influence in the region would be enhanced.

As long as the chances of the Middle East peace process sponsored by King Hussein of Jordon looked reasonably promising, the Italian initiative looked reasonably healthy. Mr Craxi twice met Mr Yasir Arafat in Tunis, where the Prime Minister has a house.

But Mr Craxi and Mr Andreotti seemed unable to balance their sympathy for the PLO with a serious consideration for Israel's position. Relations with Israel deteriorated and reached rock-bottom when the Italian Government condemned in virulent language the Israeli reprisal raid on the PLO headquarters in Tunis last autumn.

Mediator

Even before that time Italian commentators were questioning whether Italy had the political and economic clout to be more than a marginal mediator in the Middle East.

Then in October terrorists affiliated to Mr Arafat's wing of the PLO seized the Italian cruise liner, Achille Lauro. The swift release of the ship's passengers and the ending of the hijacking were undoubtedly a tribute to the strength of the relations which the Craxi Government had established with Syria, Egypt and the PLO. Italy insisted that it had no knowledge of the fact that the terrorists had murdered an elderly US passenger, Mr Leon Klinghoffer, until after the terrorists had departed.

Then came the dramatic action by the US Government in forcing the Egyptian airliner carrying the terrorists to freedom to land at the Nato base at Sigonella in Sicily. Here, Mr Craxi showed his mettle, insisting to Mr Reagan that the terrorists be handed over for trial on Italian soil, rather than whisked off to the US. He also decided that Italy could not hold Mr Abu Abbas, the Palestinian terrorist leader who gratuitously fell into Italian hands. But Italy spoilt matters by sneaking the Palestinian leader out of the country by devious means.

The Achille Lauro affair provoked the resignation of the Craxi government — later rescinded—because the Prime Minister got too far out of line with Mr Giovanni Spadolini, the Defence Minister and leader of the Republican Party, who had been deeply suspicious of the pro-PLO policy from the start.

It also provoked a crisis in relations with the US which was furious at the release of Abu Abbas.

Dignified

But here again Mr Craxi showed that he was not prepared to be bullied. He protested in dignified terms to both the US Government and in Parliament about the high-handed way the US forces behaved towards the Italians at Sigonella and how a US aircraft violated Italian airspace to trail the Egyptian airliner on its flight from Sigonella to Rome.

The row with the US was healed by Mr Craxi and President Reagan on something approaching equal terms, an important development in US-Italian relations.

The murderous attack in late December by Palestinian gunmen on passengers at Rome's Fiumicino airport showed that Italian targets were ever more in the sights of Arab terrorists, and that Italy had gained no immunity through its vigorous promotion of the moderate Palestinians.

In short, the Italian policy on the PLO had failed. In January, Italy imposed a partial arms embargo on Libya with which it had kept on reasonable terms and began introducing visas for North African visitors to Italy.

Though Libya's complicity in the Fiumicino attack was considered by the Italian Government to be far from proved, Mr Andreotti was unusually evasive in a recent newspaper interview in which he reiterated the case for keeping good contacts with Col Muammar Gaddafy.

"I am not proposing the beatification of Gaddafy," he said, "but I believe talking to him would do no harm to anyone, not even to the Americans."

Mr Craxi, however, refused to be drawn into doing so.

Mr Agnelli of Fiat, who has the prestige to speak for much of the northern establishment, passed stern judgment on the Government's policy in a speech to industrialists in late November. Quoting Mr Ugo La Malfa, the late Republican leader who had said "Italy must scale the Alps," he went on: "There should be no doubt that the only possible choice for Italy is to pursue alliances that are secure, lasting and in line with our historic vocation.

"To practise instead a kind of political balancing act between one part of the world and another . . . is the road to our progressive Balkanisation."

Irritations of an everyday plague

Bureaucracy

DAVID BARCHARD

"BUREAUCRACY is the most horrible plague we have," says a Rome sociology professor, Mr Franco Ferrarotti. "It is our biggest single problem in Italy." Four hundred miles to the north in Milan, however, an industrialist offers the opinion that "bureaucracy is not a major problem for Italian industry. You can always by-pass it with money or whatever."

Certainly for ordinary citizens, as Mr Ferrarotti says, bureaucracy is one of the most vexatious aspects of life in Italy. Public agencies submit bills years late. Petitions, submissions and almost any sort of official communication have to be written on a special kind of paper known as "carta bollata" which can be bought in certain shops.

Italians must provide certificates in endless duplication to show where they live, who they are, who their parents were—and even that they themselves are still alive in the notorious "Certificato di Esistenza in Vita" which is submitted to officials on occasion to convince them formally that the person they are speaking to is not dead.

Such a state of affairs is not unusual in the Mediterranean world especially where Napoleonic legal and administrative procedures have been grafted on to older absolutist monarchical tradition. A Roman civil servant talks of the Spanish Bourbonism which began to suffuse the originally Piedmontese Italian civil service, when after 1910 the bureaucracy came to draw its recruits primarily from Mezzogiorno law graduates.

All this clashes with Italy's recently acquired status as the world's sixth largest industrial economy and it raises fundamental questions about how such an industrial takeoff could have succeeded in an administrative climate which seems to blend legalistic inflexibility with practical ineffectiveness in equal proportions.

Top level appointments are highly politicised and a network of patronage runs through the whole system. Mediterranean habits of mind predominate. Trivial transactions have to be checked and rechecked. Family and local connections may be needed to short-circuit otherwise intolerable delays.

Flagrant anomalies go uncorrected. A decade or two ago it was a standard Italian joke that if a civil servant shot his minister, he would probably be fired — provided of course that it could also be shown that he was an ex-Fascist.

The picture is not wholly bleak. Some ministries are recognised to be much more effective than others. Finance and foreign affairs are thought to be strong ministries; transport a weak one. The uppermost echelons of the civil service contain a core of highly competent and respected officials, many with international experience.

Cost-effective

These have become a force for change in recent years, setting up FEPA, a study group intended to identify ways of making the Italian civil service more cost effective and getting it to treat the public as customers paying for services, rather than as subjects to be ordered around. FEPA plans to monitor the quality of Italian civil service output and study ways of introducing new technology which could improve it.

A first report is due in April or May this year. "I do not believe," says a civil servant associated with the project "that Italian bureaucrats are intrinsically worse than those of other countries." He is almost certainly right. By Mediterranean standards, Italy is a well-run country.

Better training however could improve services, something which ordinary Italians are increasingly coming to expect as tax reforms bite into what were once "black enterprises" outside the tax system.

There are, according to various definitions between 2.2m and 3.6m employees of the central bureaucracy in Italy, with about 650,000 more in the three tiers of regional and local government, and perhaps 1m teachers beyond that.

Civil servants are recruited by examination, the majority of applicants being law graduates with southern backgrounds. Different ministries have their own examinations. There is no central recruitment system. Transfers between ministries are only possible if the exams of the second ministry are taken.

Squabbles between political factions and parties, and the relatively weak status of the prime minister or President of Council of Ministers reinforces the psychological distance between ministers.

Although Italy has most of the usual Napoleonic administrative institutions, such as the Consiglio di Stato (modelled on the French Conseil d'état) where administrative law is applied and ordinary citizens can bring cases, and a Corte dei Conti to scrutinise public spending, it has until recently lacked any equivalent of the great training schools which are the seed beds of the French civil service.

In the early 1980s, however, Italy set up two institutions, each entitled "Scuola Superiore della Pubblica Amministrazione" in Rome and Caserta to train civil servants. Most of those attending these institutions, however, are people already in the civil service, mugging up for their promotion exams. But the emphasis is now on managerial skills rather than formal legal knowledge which dominated the civil service in the past.

Italy's emergence as a leading industrial power makes its bureaucracy look increasingly anachronistic. In a Rome ministry, a civil servant studies the heavy wooden furniture and ponderous decor of the room in which he works. "You may call this the 19th century. I myself would say it has more to do with Fascism and the 1930s. But you are right. It certainly has little to do with the modern Italy in which our businessmen are living."

At Censis, a Rome institute sponsored by the private sector for economic and social research, an official predicts that "in the next three to five years we can expect a drastic evolution of the Italian bureaucracy."

This should be good news for exasperated citizens plagued with the need to produce petitions on carta bollata or provide unnecessary information in triplicate.

Mythical

It is unlikely to be so welcome for Signor Brambilla, the mythical embodiment of the tax-dodging, regulation-evading Italian small businessman who has got where he—and Italy—are today by treating central government and its rules as if it did not exist. Estimates differ but more than 40 per cent of Italians are believed to have more than one job and 20 per cent to 40 per cent of Italian industrial production still comes from the invisible "black" sector.

Just how important that can be is shown by the example of the Naples' woman's gloves industry, the largest in the world. The industrial register for Naples is said not to show a single glove factory.

Would more effective bureaucracy release pent up energy in the Italian economy or would it wipe out Signor Brambilla and his activities and their contribution to Italy's economic dynamism?

Given that Italy is unlikely to switch wholeheartedly to conventional free market economic policies and will always have a certain *dirigisme*, the question is a pertinent one. But Italian citizens, expected to stand in line patiently for bureaucratic operations which in Britain or West Germany might take minutes or be handled by post, can be forgiven their exasperation and appetite for reform.

Oil price fall will boost industry

Economy
ALAN FRIEDMAN

THE ITALIAN economy is likely to realise significant benefits this year from the fall in oil prices and the weakness of the US dollar against the lira. The combined effect of these two factors will be like a windfall for a country whose runaway domestic spending and consequent public sector borrowing requirement (PSBR) has for years kept its inflation and interest rates way above the level of its main trading partners.

Italy imports about 70 per cent of its energy requirements, compared to a European average of 40 per cent. Aside from large food imports, the cost of energy imports has thus been a major factor in Italy's trade deficit, which last year reached a record L23,000bn ($15.2bn), a rise of 21 per cent on the 1984 trade imbalance. It is possible that the 1986 trade deficit will fall to around L16,000bn to L17,000bn.

A fillip

The Bank of Italy and a variety of private sector economists are now predicting that falling oil costs and the savings released by a weaker US dollar should result in a gross saving of about L15,000bn ($10bn) in Italy's 1986 energy costs. This will clearly provide a fillip to both industry and the individual in the Italian economy.

Recent interest rate reductions in West Germany, Japan and the US will also help Italy to lower its bank lending rates and the level of interest paid on Treasury bonds. Thus it is possible that the above factors could see Italy's interest rates coming down by up to three points during the course of this year, which would suggest a prime rate of 13 per cent instead of its present level of 16 per cent, and a yield on Treasury bonds closer to 11 per cent than the 13.5 per cent available at present.

Inflation, which remained rather static at around 8.5 to 8 per cent in the closing months of 1985, could well drop to six or even five per cent by year-end. *This of course would* still suggest real interest rates of six to ten per cent even under optimistic conditions. Italy's bank loan rates at present range between 14½ to 15 per cent for top borrowers to well above 20 per cent for smaller companies.

The current account, which at the end of 1985 suffered a L7,000bn deficit, is now expected to move toward a L5,000bn to L7,000bn surplus by the end of 1986, which would represent a genuine improvement.

All of these estimates are based on an average 1986 oil price of US dollars 21 a barrel and an exchange rate of L1,650 per US dollar. As the price of oil is now well below $15 a barrel *and the exchange rate* at around L1,500 to L1,550 per dollar, there is scope for an even better performance.

Without the good fortune discussed above Italy would have been lucky to have achieved a real rate of economic growth of about two per cent in 1986: now the prospects are strong for economic growth of 2.5 to three per cent or even higher.

Corporate profitability, meanwhile, is expected to rise by an average of 35 per cent in 1986, *similar to last year's* level of increase. Italy's private sector industry is finally enjoying the fruits of five years of major rationalisation, increased spending on factory automation and new technology, debt rescheduling, improved cash flows, lower unit labour costs and a new found ability to tap the domestic stock market and international capital markets for funds which in the past would have come from exorbitantly-priced bank loans.

This is the good news. The current year will not, however, be quite as rosy as these predictions suggest. The weakness of the dollar has some negative implications for the competitiveness of Italian exporters in the world market and the country's public sector deficit continues to hang over the economy like a Sword of Damocles.

While lower energy costs will *certainly reduce* the cost of raw materials needed for industry, the weakness of the dollar will mean that Italian exports are likely to be 2 per cent more expensive in price terms. Although Italian exports to the US represent only 12 per cent of the country's total exports, exports expressed in US dollars bring the level up to 30 per cent or more.

The other side of the coin is imports and Italy's import demand is very sensitive to a rise in general internal demand. Thus, import prices for Italy are expected to drop by an overall average of 5 per cent, while domestic demand is likely to rise by 3 per cent this year. That implies an increase in import demand in 1986 of between 7 and 8 per cent, while growth in exports this year is forecast at around 4 to 5 per cent.

So while it is true that the saving on energy costs should provide families with a net increase in disposable income and *industry with lower production* costs, this does not necessarily translate into quite as much benefit as might appear. Industry, for example, is unlikely to pass on to consumers its savings in energy and raw material expenses—these could well go toward wage rises and overall profits.

EMS realignment

Meanwhile, Italy needs to consider the fact that many of its export markets in the oil-producing world, whether that be Arab, African or Latin American countries, will not be in a position to increase buying or even maintain at 1985 levels. Even for an economy as dynamic and flexible as Italy's it will not be easy to restructure export markets. What would really be useful would be to redirect exports from Third World oil producers and the US to Europe, but that is more easily said than done.

A realignment of the European Monetary System (EMS) which would see the Deutsche Mark and/or French Franc revalued against the Italian Lira would be very helpful for Italian exporters, but that depends very much on domestic political and economic developments in West Germany and France. While it is rash to predict when and how EMS realignments take place, there are few signs of a Deutsche Mark *revaluation in the near-term.*

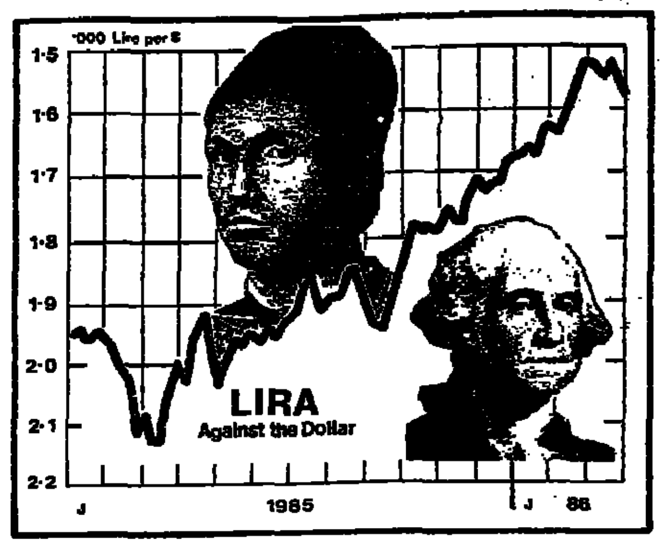
The Italian public sector deficit is the Italian economy's worst enemy. Despite much rhetoric, the five-party ruling coalition of Mr Bettino Craxi has done nothing of any substance to cut public spending since it took office in August 1983.

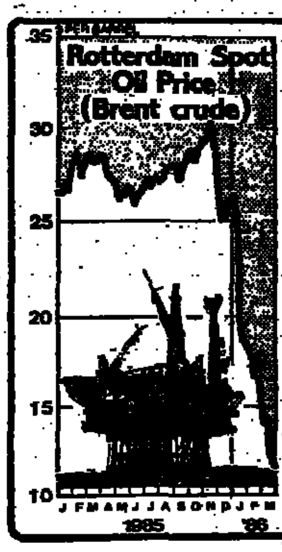
The deficit has kept interest rates artificially high and has until recently crowded out private sector borrowing. Fortunately the private sector has lately been able to finance itself *from cash flow and the Milan* bourse. But this is not true for the thousands of small companies who do not have the credit rating or fame of an Olivetti or Fiat. Small and medium-sized companies at present can pay between 18 and 25 per cent for bank loans, while inflation stands at 8 per cent.

The Milan bourse as a source of capital is growing rapidly, but consider this: the entire market capitalisation of the Milan bourse is roughly equal to the Italian Government's PSBR in just 12 months. And the total state debt stock, forecast to be L765,000bn ($506bn) by year-end, will this year represent more than 100 per cent *of the Italian annual* Gross Domestic Product (GDP).

Something like 60 per cent of annual borrowing by the Government goes simply to service the debt stock. Thus the annual deficit needs to be cut net of interest costs—and that appears to be too unpalatable to the Craxi coalition Government, which like any Italian post-war government has maintained Europe's most generous welfare spending in order to jockey for votes.

Thus the Italian economy in 1986 is likely to experience reasonable growth, thanks to external factors such as the dollar, the price of oil and the monetary policies of Washington, Bonn and Tokyo, as well as a healthy domestic private sector. The lack of courage and or inclination on the part of the Rome Government to make genuine cuts into the public sector deficit is clear. The question now is whether Rome will ever seize the initiative.





Guide to the economic recovery

	1982	1983	1984	1985*	1986†
Real rate of economic growth	−0.5	−0.4	2.6	2.2	2.5-3.0
GDP (L bn)	470,484	538,996	612,112	680,580	753,000
Total state debt stock (L bn)	340,516	432,152	530,527	653,390	765,000
Inflation (annual average)	16.5	14.7	10.8	9.2	6.5
Prime rate (annual average)	21.5	19.1	17.7	16.6	14-15
Balance of payments current account (L bn)	−10,048	+706	−7,254	−7,000	+7,000

* Estimates. † Predictions.
Source: Bank of Italy.

A breakthrough on indexation

Wages & Prices
JAMES BUXTON

A FEW DAYS before Christmas, Italy's employers, from the government itself to the main private sector organisations, agreed with the trade unions on a major reduction in the wage indexation system, the *scala mobile*.

Under the agreement the degree of protection against inflation provided by the *scala mobile* is to drop from about 65 per cent to about 51 per cent of inflation. The indexation system, instead of triggering once every three months, will now trigger only once every six months.

Earlier in the decade such an agreement would have been hailed as "historic." The fact that this word was almost completely absent from comment about the latest agreement, and that the whole issue received far from saturation press coverage, show how much the Italian labour scene has changed in the last few years.

For years the *scala mobile* was considered to be one of the worst evils of the Italian economic system. Since 1975, when it began to operate in its most elaborate form, it gave the average worker protection against about 80 per cent of inflation.

Based on an extremely antiquated index of consumer purchases, it triggered every three months, guaranteeing automatic pay increases. Though the name *scala mobile* means sliding scale, it was not a sliding scale at all: every worker covered by the system received the same flat rate pay increase.

Economists argued long over whether the *scala mobile* caused inflation. The correct answer was that technically it only reinforced inflation caused by other factors, such as monetary expansion and imported price increases. But it raised inflationary expectations and made it harder for governments to reduce inflation.

It also meant that measures which governments in other countries might consider deflationary, such as increases in VAT intended to cut consumption, turned out in Italy to be inflationary, because they immediately stimulated pay rises.

Ironically, the employers agreed to the system in 1975 partly because everyone was convinced that *inflation, then* in double figures, would fall. In fact the opposite was the case, and the wage indexation system also became invested with political mythology: it was regarded by the unions as a major social advance and, as such, "untouchable."

Reform

It was the industrial employers in the private sector, through their organisation Confindustria, who in 1981 first raised the question of reforming the system, just as they began recovering confidence after the years of despair about labour relations in the 1970s.

At the same time two of the three unions, the Catholic-oriented CISL and the UIL, which is close to the Socialist party, began to appreciate the advantages of a reduction in indexation: less indexation would mean more space for collective bargaining, less squeezing of differentials and a more useful role for the unions. But the CGIL union, close to the Communist party, refused to countenance change.

This is not the place for the full tortuous story of the reform of the *scala mobile*. Suffice it to say that in January 1983 unions and employers agreed to reduce the degree of protection afforded by the system by about 15 per cent to around 65 per cent. The agreement was indeed the breakthrough that it *was hailed as at the time; but it* did not make a very big dent in inflation, and it left some serious loose ends.

The following year, in February 1984, Mr Bettino Craxi's government, alarmed about the slow drop in the inflation rate, froze the triggering of the *scala mobile* for two quarterly periods, costing workers four index points or pay rises of L27,200 (£12.30). This move was backed by the CISL and UIL and, *with some reluctance*, by Confindustria. But it was ferociously opposed by the CGIL and its mentors in the Communist party.

The Communists refused to accept their parliamentary defeat on this temporary once and for all reduction in indexation. They called a referendum and last June the matter was put to the vote. The campaign in favour of the Government was feeble and disorganised, making little of the obvious point that the CGIL, apart from being bad losers, were favouring those who had jobs over those out of work—who could not benefit from the *scala mobile*. Yet those who voted in favour of the reinstatement of the four points were beaten by 8.6 per cent of the vote. It was justifiably hailed as a victory for the good sense of most Italians.

The referendum finally cleared the air. A few months later, in September, Confindustria and the unions sat down together for the first time in eight years to negotiate not just on further reductions in wage indexation but also new wage contracts which, it was hoped, would introduce greater scope for wage bargaining and streamline other aspects of labour relations.

Those talks did not go as well as had been hoped. They broke down altogether just before Christmas when the employers refused to contemplate reductions in working hours, and the wage contracts of many groups of workers have now expired.

Before the talks broke down, the Government, in separate negotiations with its own civil servants, secured agreement on *a new form of the scala mobile*, put forward by Mr Gianni de Michelis, the Minister of Labour. This system was more generous than Confindustria would have liked, but the Government put the employers' association under *strong pressure to accept* it. Reluctantly, it did so.

New system

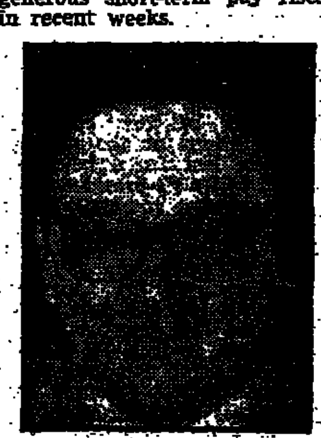
Under the new system, which will trigger only every six months instead of every three months, employees will receive 100 per cent compensation for the first L580,000 of their monthly salary, and above that will be compensated for 25 per cent of inflation, according to the existing *scala mobile* index which is not being revised. The average *level of inflation* protection is estimated at 51 per cent. The new system begins operating in April.

For many Confindustria employers the new system will actually represent a rise in the cost of indexation because many of them have not been paying the *scala mobile* in full recently owing to a dispute over the interpretation of the 1983 agreement. But this dispute should be ironed out, and the 51 per cent protection agreed for three years is a major improvement on the pre-1983 situation.

Above all inflation, now running at about 7 per cent, is expected to decline, and with it the impact of indexation. Confindustria's own forecast is for an inflation rate of only 4.15 per cent in 1986, compared with an estimate of 7.6 per cent for this year. So Confindustria, though it would have liked a greater reduction in indexation, has much to console itself with.

The Italian labour relations scene now presents, in the words of one outside expert, an unusually harmonious picture. Wages are still rising, but less rapidly than in the past; the unions are quiescent, and their membership is declining. Strikes are rare: in the first six months of 1985 the number of hours lost through strikes 1984, which was the year in which fewer hours were lost through strikes than at any time in the previous 20 years.

The fact that wage contracts have in many cases expired has neither caused strikes nor prevented big employers, such as Fiat, making reasonably generous short-term pay rises in recent weeks.



Mr Gianni De Michelis, Minister of Labour: aware of injustice and problems caused by rigidity of the labour market

Yet the harmonious picture should not distract attention from the disturbing fact that Italy has a rate of unemployment estimated at 10.76 per cent. Of these 2.1m unemployed people, some 75 per cent are aged under 29, the highest rate of youth unemployment in Europe.

The causes of unemployment are well known: Italian industry has cut its labour force by 20 per cent during this decade, mainly through early retirement and a freeze on recruitment, and use of the state subsidised lay-off system, known as *cassa integrazione guadagni*, under which employees laid off still enjoy 80 per cent of their original pay, and get it from the state.

The *cassa integrazione* system is one of the social buffers which the Italian state provides to ease the burden caused to employers by the otherwise rigid labour laws. In 1984 it cost the state about L2,000bn; it amounted to a first class system of unemployment pay (ordinary unemployment pay is very low) and it allowed employers to balance their labour forces to their needs—a vital requirement in the absence of any overtime practices in major Italian companies.

The very high level of youth unemployment is another consequence of the rigid labour laws. With the dismissal of workers virtually impossible for big employers it is extremely difficult for employers to reduce the average age of their workforce.

If they lay-off workers they must re-hire them if they need them later; they cannot hire different ones. If they want to recruit new workers, they have to get them from the *ufficio di collocamento*, or state labour exchange, which gives precedence to older, redundant workers. Many companies therefore avoid recruiting at all costs and are prepared to make large investments in automation instead.

Injustice

Mr De Michelis, the Labour Minister, is intensely aware of the injustice and human problems caused by the rigidity of the labour market. Yet so far he has been unable to do much to alleviate them, although he had drafted a number of plans. Both in Italian administration and in labour relations change is difficult to achieve and comes slowly. In the meantime both employers and the unemployed must do their best to get round the system.

In many other countries the level of youth unemployment would be a cause of rebellion. That this has not so far happened in Italy seems to be due to two specifically Italian factors. The young unemployed are usually still living with their parents and often enjoy part of the pensions and other social security benefits paid to the older members of their families. They may also obtain employment in the submerged economy.

And the bulk of the youth unemployment is in the southern part of the country—where overall unemployment rates are far higher. Some 32 per cent of the labour force is in the south, but also some 45 per cent of the unemployed.

Here, sadly, the phenomenon is far from new: unemployment is a perennial problem in the South of Italy, but the social structure is specially adapted to cope with it. Yet on any objective criteria it must be a potentially explosive situation.

Move to market orientation hastens changes

ITALIAN BANKING and finance is in a period of fundamental transformation: the nation's financial market is attempting to modernise in a hurry while the predominantly state-controlled banking system is learning to compete in the loan market and is strengthening its capital base.

The Milan bourse is meanwhile enjoying an extraordinary bull run which is bringing prosperity not only to institutions, but also to around 1m small investors who have poured more than £10bn of funds into 40 new unit trusts over the past 12 months.

Banking & Finance

ALAN FRIEDMAN

It might be an over-statement to describe the combined changes as revolutionary, but it is significant that a banking system which for decades has been tightly regulated by the central bank is now being pushed out into the free market. It is equally significant that Italian corporate finance is shifting away from an oligarchic structure of closed-circuit transactions and moving toward market orientation.

The changes, if they do not stall, should bring greater transparency in dealings and a better functioning financial system both for industry and the individual.

This being Italy, however, the news comes with a string of caveats. For one thing, the trend toward greater deregulation in banking was halted temporarily by the re-imposition in mid-January of Italy's equivalent of the corset — tight constraints on bank lending which were made necessary as part of a lira defence package of measures.

The re-imposition of what, in Italy, is called the "massimale" means that bank lending will be slowed for about six months. Most bankers assume that the Government will stick to its promise that the corset, which was originally lifted in 1983-84, will be gone again by this summer.

Even so, the banks are not suffering. Lending margins remain in the region of 4 to 6 per cent and the level of net profits among leading banks has been doubled over the past couple of years. State banks such as Banca Nazionale del Lavoro (BNL), Banco Commerciale Italiana (BCI), Credito Italiano and Banco di Roma have all anounced large increases in their capital base to be achieved partly via the sale of equity on the Milan bourse and to foreign investors.

Lending rates remain exorbitant by the standards of other European countries, and the 16 per cent prime is a result of the Italian state budget deficit. A public sector borrowing requirement of $50bn to $65bn a year is bound to keep interest rates artificially high.

The impact of the deficit on interest rates is clear when one considers that inflation is now at around 8 per cent and the drop in oil prices could see Italy's inflation level down to 5 or 6 per cent by year-end.

Bank deposit rates average around 10 to 12 per cent and must compete with tax-free Treasury bonds which yield 13.5 to 14.5 per cent. Looking ahead to the autumn, when the corset will presumably have been lifted, Professor Gianni Zandano, chairman of the Istituto Bancario San Paolo di Torino, says: "We banks have to come up with new and more market specialised ways of generating fee income."

Prof Zandano, in a recent article on the subject, suggested that Italian banks look to commitment fees as a way of generating more income on loans. He also laments the cost of funds on the interbank market, which is an even more serious matter for the 33 foreign banks operating in Italy and for the most part (Citicorp and Barclays are notable exceptions) without a domestic deposit base.

The change in banking has—with the exception of the current six-month phase—been marked since 1983. Banks must now prepare consolidated and global balance sheets, they can no longer get away with the practice of "window dressing" year-end accounts by shunting loans around to inflate total assets and there has been more freedom both in the type of lending and rate of growth permitted.

Banks are now free to set their own interest rates, which has meant that lending to quality corporate names has ranged between 50 basis points and two points below the prime. The tens of thousands of small and medium-sized companies which are still the backbone of the Italian economy have to contend with often higher rates, which can mean borrowing at 20 per cent or more.

In the retail banking sector, the nationwide Pancomat cash dispenser system has proved a real success.

The rate of change in the banking system is notable, but it pales in comparison with the steady growth of Italy's financial market. As the bourse continues to boom (the Banca Commerciale Italiana stockmarket index jumped by 100 per cent in 1985 and by 25 per cent in the first two months of this year) corporate Italy is turning increasingly away from bank loans and toward equity and foreign capital markets as a source of capital.

Fiat led the way in 1984 with a huge share issue. Last year Mr Carlo de Benedetti, the Olivetti chairman who is busy constructing a personal industrial and financial empire of his own, tapped the Milan bourse and Euromarket for around L1,000bn of funds.

Rights issue

Mr Raul Gardini, the chairman of Italy's Ferruzzi agribusiness giant, launched a L600bn rights issue last autumn; and Montedison, the chemicals group which is a considerable turnaround story, has announced share issues totalling L1,145bn in the past three months.

Italian finance is benefiting from a new-style capitalism which is seeing Wall Street type activity in company takeovers, share issues and a more serious commitment to regulate by the Consob stockmarket authority.

Far and away the most important factor behind the change has been the growth of the newly authorised unit trusts since the start of 1985. In a country with a 20 per cent savings ratio (second only to Japan in the world) and exchange controls which make overseas investments almost prohibitive, the small investor has finally broken free from the limited options of bank deposits, Treasury bonds, property (which has been in a slump for two years) and postal savings.

Originally inspired by the political stability of the Craxi government, falling inflation, improved corporate results, lower labour costs and industrial rationalisation in major sectors, the Milan bourse has in recent months gone on a spree which has a life of its own. Share prices these days bear little relation to fundamentals, with price earnings ratios of 20 to 30 being meaningless in the Italian equity market.

A distinguished former chairman of Consob, the Stock Exchange regulatory authority, said recently that "Milan is more modern, but this market is still more of a club for the exchange of capital gains than a functioning equity market."

This rather harsh judgment has a basis in truth; the anomoly in Milan is that even though unit trusts helped to transform the market and have poured funds into the 30 or so most actively traded shares (of 180 quoted companies), the incidence of insider trading is incredible. A modern market has been grafted onto a system which for too many years has known only speculation. Nearly every day of the week the Milan bourse still sees insider trading activities which could be punishable by law in Wall Street. The Consob authority has sought to dampen such activity by insisting on cash dealing and by acting more frequently to suspend trading. But this has not been enough.

Another problem the market faces is a series of bureaucratic delays which have caused settlement delays for both Italian and foreign investors.

In some cases the wait for share certificates or cash payment on a share transaction can last for three, four or six months. This is a procedural problem which, if not resolved by the speedy approval of laws designed to streamline settlements, could cause serious damage to the reputation of the Milan bourse.

Fruits of Milan

Foreign investors are upset over this problem, but the pension fund managers and portfolio managers at merchant banks in London, investment banks in New York, Tokyo and Frankfurt are still enjoying the fruits of Milan. Among British merchant banks, Warburgs, Hambros, Morgan Grenfell and Kleinwort Benson are increasingly involved in Italian finance, both as intermediaries and as institutional fund managers

Italian bankers, the Bank of Italy and entrepreneurs speak frequently about the need to develop merchant banks in Italy. Few Italians truly understand what they are talking about, however, and tend to confuse UK merchant banking with the Italian concept of a "finanziaria" or holding company which simply takes equity stakes in companies.

The only institutions which approximate merchant banking in Italy are Mediobanca, the Milan bank which is majority controlled by the IRI state group, and SIGE, which is part of the IMI medium-term credit organisation. Mediobanca was last year rocked by a nasty struggle for power between state and private sector shareholders, a struggle which was really about the isue of what kind of institution it should be in future.

Dr Enrico Braggiotti, a Mediobanca board member who is also joint managing director of Banca Commerciale Italiana, explains that in the 1960s and 1970s Mediobanca was the clearing house for all corporate transactions.

"Now the private sector companies don't need the support of Mediobanca to raise cash or launch a takeover because they can finance themselves on the market," he says.

Nonetheless, Mediobanca remains very near the centre of Italian finance, if only because it controls a spider's web of industrial cross-holdings which are often close to the empires of the old barons of Italian capitalism—the Agnellis, Pirellis and others.

Change is most definitely underway in Italian banking and finance, but the rate is so rapid for Italy that, as is the case in London's "Big Bang," it seems clear that there will soon be new faces, new winners and new victims.

PROFILE: RAUL GARDINI

Backwoodsman with financial flair

THE man who controls Italy's third largest private sector company after Fiat and Montedison likes to describe himself as a country boy.

Mr Raul Gardini is a 52-year-old native of Ravenna, the town on Italy's Adriatic coast which is also the headquarters of his international agricultural, banking, sugar, commodity trading and shipping empire which has annual revenues of US$6.5bn.

Raul Gardini: controlling the discreet and silent Ferruzzi empire

The empire is grouped together in the Ferruzzi group, which employs a workforce of 10,000 and owns more than 2.5m acres of land in Europe, the United States and Latin America.

Despite the fact that Mr Gardini has been operating lately on the international stage, he likes to cultivate a backwoods image which belies great financial shrewdness and enormous personal wealth. In the past six months he has been increasingly prominent, both on the Italian and the European industrial scene.

He is trying to persuade the European Commission to allow him to invest more than $650m in a plan to convert cereal surpluses into ethanol, a petrol additive. He has taken control of Beghin-Say, the French sugar and paper products group—this control, combined with Ferruzzi's Eridania Italian sugar subsidiary makes the group Europe's largest sugar conglomerate with 18 per cent of the market.

In the UK, at the time of writing, he was attemping to take control of British Sugar, the subsidiary of S. and W. Berisford.

Meanwhile, Mr Gardini has taken his group into the Montedison Chemicals giant as a key member of the controlling shareholders' syndicate. He is also a key shareholder at the L'Espresso publishing group and at Credito Romagnolo, the Bologna-based bank which is one of Italy's most important private banking institutions.

In the latter two cases, Mr Gardini has common interests with Mr Carlo de Benedetti, the Olivetti chairman who is also assembling a major personal empire. The two men are on friendly terms and appear to respect each other's abilities.

Thus, the provincial affectations are in part a stylistic technique for Mr Gardini. When, for example, Mr Cesare Romiti, the Fiat managing director, last autumn revealed in public details of a private dinner conversation he had had with Mr Gardini about the possible transfer of a shareholding in Montedison, Mr Gardini responded immediately by saying: "Who knows what those big city people are up to? We in the countryside prefer to be discreet and silent."

So discreet and silent has the Ferruzzi group been that it only recently began unveiling the extent of its holdings. It has still to present its first-ever consolidated balance sheet, although Mr Gardini last month hired Mr Mario Gabbrielli, the former group finance director at Italy's ENI state energy company, as his own managing director.

Mr Gardini is a shy and unassuming man who, nonetheless, knows what he is about. He is generally well tanned and his main passions outside of work are sailing and hunting. He has won sailing prizes at Newport and in Sardinia, and in 1979 was one of the survivors of the Fastnet event which ended in death for several competitors.

At Christmas he spends several weeks at the family ranch in Argentina, where he is an avid horseman, as well as hunter. He also enjoys shooting in Scotland, "when friends at Tate and Lyle invite me." Otherwise he is content to crouch in a wooden rowboat up the coast from Ravenna, waiting for ducks to come within range.

Born to a land-owning family in Ravenna in 1933, Mr Gardini first met Ida Ferruzzi, his wife, at the age of 15. The family of Serafino Ferruzzi, founder of the empire, lived a few steps away from the Gardini family and so it was not surprising when Raul Gardini and Ida, one of three Ferruzzi daughters, married in 1959.

Mr Gardini worked as an assistant to Serafino Ferruzzi until the latter's death in 1979, when he became group managing director. He had travelled the world for Ferruzzi, surveying the group's activities in the US (Ferruzzi owns 50 per cent of American Bank and Trust in New Orleans) and in South America.

In 1980 he managed the takeover of a 50 per cent stake in Beghin-Say, which as a result of French sensitivities was cut back to 40 per cent, only to be boosted back up to 50 per cent last month, in large part because Tate and Lyle sold a 5 per cent stake in Beghin-Say to Mr Gardini.

Ferruzzi keeps tight control of its holdings, but around half of annual turnover is consolidated in the balance sheet of Agricola Finanziaria, the quoted company.

The cement business remains important for Ferruzzi, although it recently liquidated $100m worth of holdings in Brazil in this field. The group claims to have cash liquidity of around $900m.

Mr Gardini's ambitions are to increase his agricultural activities and sugar holdings in Europe. He would like to make use of cereal and sugar surpluses for industrial applications, but feels that this will only be possible when he controls a large enough market share.

Perhaps the most striking aspect of Mr Gardini's character is his boyish country charm, which often confuses his opponents in industry and finance. He has neither the jet-setting force of Mr Gianni Agnelli, Fiat chairman, nor the market aggression of Mr Carlo de Benedetti. He was born and has lived and worked in Ravenna for all of his life and clearly enjoys being one of Italy's most important entrepreneurs—in the country.

Alan Friedman

Profits return after the hard times

Private industry

DAVID BARCHARD

THE PIRELLI skyscraper, at 127 metres high, Milan's tallest building, is a relic of the boom years of the 1950s and '60s, symbolising the prosperity of Italy's business capital. But in the 1970s the Pirelli Group fell on hard times and was obliged to sell the building to regional government.

However, Pirelli is now vying with most of the other major Italian corporations for the title of the group which has made the most striking turnaround. Earlier this month it announced profits of L101bn (£45m) for 1985, up 40 per cent on 1984 despite the fact that it has to earn its living in the stagnant *and cut-throat international* tyre industry.

The signs of strength are unmistakable: record profits, a stock market at an all-time peak; relative industrial peace; and takeover operations in other countries.

In 1984 and 1985 there was an average rise of profitability in the Italian private sector of between 30 and 35 per cent. Even Montedison, the chemicals group which is Italy's second largest private group, moved firmly into the black after 11 years of making losses, with a forecast profit of around L100bn in 1985.

These results are the reward for deliberate restructuring rather than simple economic growth. Industrial production in Italy rose by 1.3 per cent in 1985 compared with 2.4 per cent in 1984. According to the private-sector employers confederation Confindustria, at the end of 1984 Italian manufacturing output was 4 per cent below the 1980 level and 10 per cent below the peak of the last business cycle in the 1970s.

"In some respects," says Dr Enzo Cipolletta of Confindustria "production capacity has actually dropped despite new investments. But the necessity is to maintain the competitiveness of Italian industry rather than to expand output."

Growth will probably have to wait for interest rates to fall below their present level of around 15 to 16 per cent on medium-term funds, about five or six points above inflation.

Business is not complaining. Things have seldom looked rosier. In 1980, for example, Italy's largest private sector group Fiat made a loss of L240bn. By 1984 however the group, blazing the trail for industry's recovery, had made net profits of L627bn and last year exceeded L1,000bn.

The story of Montedison is even more striking. The 1985 profit of L100bn has to be seen against 1982 losses of L859bn. Elsewhere the story is much the same. Even Zanussi, one of the remaining loss-makers now undergoing reorganisation after its 1984 take-over by Electrolux of Sweden, moved from losses of L125.9bn in 1984 to around L25bn last year.

Accept

How has the turnaround been achieved? The single most important element seems to be the waning of militant trade union power after the confrontation in 1980 between Fiat Auto and its workers. Since then, unions have mostly gone along with the reforms, apparently accepting that some sacrifices have to be made to guarantee long-term security.

In 1979 for example, Montedison had a workforce of 100,000. By 1985 it was down to 60,000. "There was no resistance" says Mr Howard Harris, the American executive on Montedison's board of management with responsibility for strategy "because we were in such disastrous shape in 1982 that any change would be for the better."

Redundancies have been softened by the "Cassa Integrazione," Italy's system of state-subsidised lay-offs at 80 per cent of normal salary. The number of the unemployed, including those in Cassa Integrazione has risen only from 10.6 per cent in 1982 to 12.3 per cent last year, suggesting that small and medium industry is absorbing some of the redundancies.

With most Italians engaged in second jobs, often in the submerged economy, the outlook for redundant workers is not necessarily gloomy.

A worker on Cassa Integrazione may use his leisure to boost his income well above what it would normally be. Montedison found in fact on one occasion hat it had to offer key maintenance workers double salaries to stop them joining the queue for lay-off.

Along with reductions in the labour force came reduced labour costs, with the pruning of Italy's *scala mobile* system of wage indexation, a process that private industry would like to see taken further.

At Fiat, the reduction in the workforce was swiftly followed by investment in automation and the use of robots. The rest of private industry has followed. Zanussi is spending $160m over three years to streamline investment and introduce new technology.

Before new investments could be made, however, corporations had to trim their debt burdens and find access to new sources of finance.

At Fiat, a capital increase and better profits were used in 1984 to prune the group's debt by a quarter, bringing it down to below L3,000bn. A three year investment programme of L8,000bn was then launched, 75 per cent of it financed from improved cash flow.

Montedison, which Mr Harris says is "still too highly geared" cut its debts from L5,000bn in 1981 to around L4,000bn by the end of last year, but plans "an aggressive programme" raising equity on the markets to bring it down still further.

Strategy

Montedison has in fact been pursuing a careful strategy to improve its trading position since its crisis in 1982. Major points include the divesting of unprofitable plant, the selling off of some ventures to raise cash, the development of "cash cows" (such as Vega, the group's offshore oil venture) and the careful cultivation of international alliances and joint ventures.

The group has also been in the forefront of Italian corporations taking advantage of the new vitality of the Milan stock exchange and money markets. In 1982 Montedison began with a L640bn rights issue.

In 1985 it followed with a L142.3bn bond issue convertible into equity, while Erbamont, its health service sector subsidiary, has had a $100m rights issue. Through these and similar moves, Montedison has pruned its net financial charges from 11 per cent of sales in 1981 to around 6 per cent last year.

Similarly at Olivetti, Mr Carlo De Benedetti has trimmed total debt to around a sixth of the group's L1,958bn equity base.

Industrialists have found their financial operations eased by some extraneous developments. Stock exchange legislation passed in 1974 and the subsequent legalisation of unit trusts helped prepare the way for renaissance of the Milan stock exchange in the '80s.

The Italian investor, traditionally distrustful of the stock market, has learned that through unit trusts he can reap good returns safely. The steady downward trend of inflation, thanks to the Craxi Government's policies, has also helped. Italian inflation has fallen from 14.7 per cent in 1983 to 8.6 per cent last year.

Another benign influence has been the falling cost of oil on international markets since 1982, though initially this was offset by the rise in the US dollar.

More striking however is the emergence of a new generation of internationally-minded managers, not only interested in export markets but also in striking complementary deals and alliances with foreign firms to gain access to new markets or technology.

A typical example is Montedison's joint venture with Hercules, the US pharmaceutical group. "We had the technology and Europe," Mr Harris explains. "They had the marketing and North America."

Near-marriage

Similar match-making around the same time (1983) brought together Olivetti's office equipment capacity and AT and T, the US telecommunications group, which acquired a 25 per cent stake in Olivetti's stock. There was also very nearly a marriage between Fiat Auto and Ford Europe. That deal never happened but Italian businessmen would not be surprised if Fiat eventually tries again for an alliance with another international motor group.

Last year Olivetti broke further new ground when it negotiated a reciprocal marketing agreement with Toshiba of Japan for the two companies to assist each other in the European and Asia markets.

Internationalism is not new to the major Italian corporations. Pirelli for example has always had a Swiss joint-venture parent company, and has 165 plants in 16 countries. But these are mostly wholly-owned subsidiaries. It is the shift to alliances which is new.

Imply

Montedison even goes so far as to describe itself as a "global corporation," implying that in contrast to the familiar multi-national corporations which simply "colonise" foreign countries with new subsidiaries, it relies on co-operative ventures and alliances for access to new markets.

New financing and management have brought into tow some experiences which the Italian business world seems to find distasteful. Last year, it was scandalised when Montedison bought a 37 per cent stake in the Bi-Invest financial conglomerate, through a "stock market raider," Mr Francesco Micheli, enabling it to wrest control of the group from the Bonomi family.

This might seem normal on Wall Street, but it sends shudders through long-established industrial empires in which control rests on a web of alliances surrounding minority holdings and making cash poor corporations potentially exposed to take-overs.

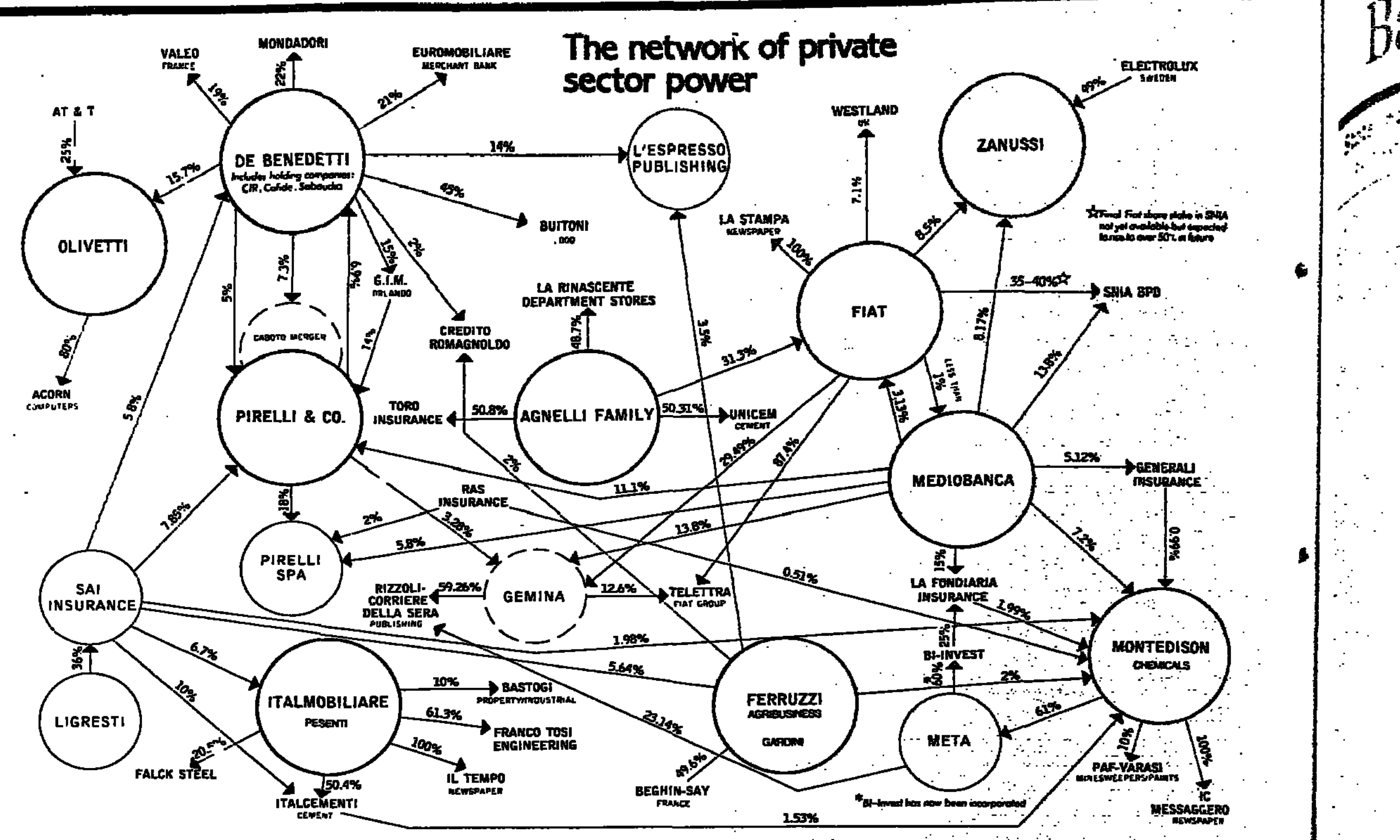
So far—as if to prove that Italian corporations are suddenly cash rich, the take-overs have mostly been outside Italy, such as the acquisition by Ferruzzi of full control of Beghin Say in France and its bid earlier this month for British Sugar, or Olivetti's purchase of a key stake of 19.4 per cent in the French motor components group Valeo for FFr 500m on February 20 this year.

Awareness of the fragility of their position in world markets still pervades Italian corporations who know they must use their wits to survive.

"It is something new for us Italians," says a Milan businessman, "to be accused of turning France into a banana republic through takeovers."

There is, however, a certain satisfaction that the restructuring exercises of the early 1980s have placed the big Italian corporations on the crest of a wave so soon.

The network of private sector power



The rise of new entrepreneurs

THE LARGE private sector industrial and financial companies in Italy are controlled by a very small number of families and individuals, as this simplified chart shows. The past year has seen several significant changes in ownership, however, and the extraordinary growth of the Milan Bourse has paved the way for a new style of Italian capitalism in which the old oligarchy is beginning to break down.

The Agnelli family, which controls the Fiat group, remains one of the most important centres of power. The Agnelli family has been able to exercise its power in part through its ties to Mediobanca, the Milan merchant bank which, despite being majority-owned by the IRI state holding group, has for the past 40 years served the interests of a small private sector elite.

One banker at Mediobanca, Dr Enrico Cuccia, has until recently been the linchpin of this power, having constructed a spider's web of industrial crossholdings. Dr Cuccia, however, is 78 and was last autumn forced to become a Mediobanca representative for Lazards, the merchant banking group which is a minority shareholder. This occurred when IRI tried to oust him from Mediobanca.

The rise of entrepreneurs such as Mr Carlo de Benedetti has posed a genuine challenge to the old barons of Italian capitalism. Using Wall Street techniques, Mr de Benedetti and others have succeeded in shaking up the old power structure and this, in the process, has led to the creation of new empires.

One of the most important developments in recent months has been the formation of an alliance (by means of shareholding swaps) between Mr de Benedetti and the Pirelli group.

Another rising industrial force is the Ferruzzi agri-business concern, which appears in the chart for the first time this year. Ferruzzi, despite having annual turnover of US$6.5bn and being Italy's third largest private sector company after Fiat and Montedison, has only recently unveiled the extent of its activities.

On a lesser scale, Mr Salvatore Ligresti, a Sicilian property developer who has taken strategic shareholdings in Pirelli, Montedison and other companies, is another entrepreneur who has only recently chosen to reveal his holdings. His equity stakes are controlled via Sai, the third largest Italian insurer, which he controls.

By far the most revolutionary development in Italian finance last year was the success of Montedison, the leading chemicals group, in its hostile takeover bid of the Bi-Invest industrial and financial group.

Mr Mario Schimberni, Montedison chairman, incurred the wrath of the Agnelli family by taking over Bi-Invest, which had been controlled by the Bonomi family, an ally of the Agnellis.

The significance of the Montedison-Bi-Invest deal was that it proved that Italians could make use of standard Wall St techniques to challenge the old private sector oligarchy.

Meanwhile, the Agnelli family has responded to threats from newcomers by strengthening its position in key areas. It has installed Mr Cesare Romiti, Fiat managing director, as chairman of Gemina, a shell company which used to be Montedison's biggest shareholder and is now an investment house. Gemina is the vehicle which was used to take majority control last year of the Rizzoli-Corriere della Sera publishing group.

One of the most interesting developments is the way in which Italian companies have been making acquisitions outside Italy. Thus, the chart shows Fiat's stake in Westland in the UK, which is likely to rise from its present level of 7.1 per cent.

Mr de Benedetti recently took 19 per cent of Valeo, the French car components group. His 19 per cent stake gives him effective control of Valeo, and he can also count on the support of the Indosuez group, a shareholder of his Cofide holding company and another Valeo shareholder. Ferruzzi has recently taken effective control of Beghin-Say, the French sugar company and at the time of writing was hoping to acquire British Sugar in the UK. These activities would have been unthinkable a few years ago and are testimony to the growing stature of Italian finance and industry.

Alan Friedman

Battling to reduce losses

State industry

DAVID BARCHARD

ITALY'S STATE industry is doing its best to follow the steps the country's private sector has taken towards recovery in the last three years. But the shackles imposed by the politicians prevent the state-owned industrial corporations from travelling as far or as fast.

Much depends on two men: Professor Romano Prodi (45) the chairman of IRI (Istituto per la Ricostruzione Industriale) and Professor Franco Reviglio (51) chairman of ENI (Ente Nazionale Idrocarburi).

In mid-March both these men were carrying on with the jobs although their three-year terms of office had expired and there was no indication of when they would be reappointed.

Since their appointment in 1982 and early 1983, the two men have battled to bring down the losses of their groups, losses which totalled L6.2 trillion (million million) (£2.78bn) in 1983 and L5.7bn in 1984. IRI continues to make an overall loss. L1.55 trillion last year of which L1.35 trillion came from its steel operations. ENI however crossed the frontier into profitability in 1985 for the first time for five years, making L806bn.

With few exceptions (the most obvious one being Fiat's engineering and automobile activities) almost all Italian heavy industry belongs to the state and is controlled through public authorities known as *enti*. Of these, IRI and ENI are overwhelmingly the most important.

Lesser *enti* include EFIM (Ente Partecipazione e Finanziamento Industrie Manifatturiere) which handles some manufacturing industry and EAGC, a state film corporation. All are responsible to the Ministry of State Participations, a relatively weak body despite the reliance of the *enti* on public money.

IRI was set up in 1933, essentially to preserve companies and industries which would otherwise not have survived. ENI was founded in 1953 to safeguard Italian national interests in the supply of petroleum and natural gas.

From these pragmatic beginnings have sprung two huge and multifarious conglomerates whose subsidiaries include many world-famous brand names.

IRI contains some 1,078 companies and accounts for about 4 per cent of Italy's employment and value added, as well as 6 per cent of fixed investment and 30 per cent of industry's R & D spending. Activities range from banking (IRI controls the Banca Commerciale Italiana, the Credito Italiano, Banco di Roma and the Banco di Santo Spirito—in all about 17 per cent of domestic market banking operations and 14 per cent of Italian deposits) to the loss-making steel industry, controlled by a "sector head holding company" called Finsider which produces 100 per cent of Italian pig iron and 55 per cent of steel, to 60 per cent of the electro-mechanical industry, 70 per cent of shipbuilding (another loss-maker), 45 per cent of the Italian motorway network, virtually the entire telephone network, all air transport (through Alitalia, the national airline) and the State Broadcasting system, RAI.

ENI, which tends to be a sphere of influence for the Italian Socialist Party (while IRI is the preserve of the Christian Democrats) consists of 285 companies. They fall into two categories 13 "sector head companies" and operating companies. 80 per cent of ENI's business is to do with hydrocarbons as its name suggests. The flagship of the group is AGIP, its oil subsidiary which in 1984 had sales of L34,736bn—about three-quarters of ENI's turnover.

But ENI also has a chemicals division, Enichem, a textiles division, Lanerossi, some mining interests in zinc and lead—all of these make losses—as well as highly successful engineering and mechanical manufacturing sectors which include such internationally famous names as Snamprogetti and Saipem.

Unprofitable

Given the original motive for setting up the groups, it is not surprising that over the years Italian governments have continued to use them to bail out ailing industries.

The problem is that some of Italian state industry reflects misguided investor decisions and is inherently unprofitable. This may well be true of quite a lot of ENI's refining operations. It is certainly true of the loss-making zinc and lead operations which were foisted on IRI and ENI in the early 1980s.

Individual companies in both groups are governed by private company law and obliged to respect free market principles and aim at profits, though as Professor Carlo Mario Guerci, a Milan university professor who advises Enichem points out "the sense of the word profit may not be quite the same as it is for private industry."

In the past, ENI and IRI both deliberately skewed their investment plans to encourage the growth of heavy industry in the backward south of the country. Finsider, for example, started a 2.8m tons integrated steel mill at Taranto and ENI has similarly tried to build its refineries and power plants in the south.

Latterly, however, the emphasis on the south in the development plans of both groups seems to have been scaled down.

These constraints—and the competition between political parties for managerial posts inside the groups—have made it much harder for Mr Prodi and Mr Reviglio to make the radical cuts in the size of the workforce which helped private sector corporations back into profit after 1982.

Mr Prodi has reduced IRI's size from 550,000 workers three years ago to around 490,000. Overall, according to CEEP, a ginger group which monitors the performance of the *enti*, public sector employment dropped by 18 per cent between 1975 and 1984, compared with a fall of 28 per cent in the private sector.

A more fruitful strategy has been simply to rationalise organisation and production. In ENI, Mr Reviglio managed to cut losses 16-fold in a single year before finally moving into the black in 1985. He achieved this not so much with labour cuts as with changes in strategy such as avoiding long term oil supply contracts, rationalising ENI's chemicals operations, and restructuring the group's L18,000bn debt to reduce foreign exchange losses.

There have been pressures working in the opposite direction. To some extent, Italy's latest private sector recovery—as in the past—has been achieved at the expense of the state sector. Fiat's recovery was helped by selling its loss-making Teksid steel division to IRI.

Montedison, the chemicals group, seems to have got the best of a rationalisation bargain in thermal plastics which left it with propylene and polystyrene and abandoned the petroleum-related production of PVC and high- and low-density polyethanel to Enichem.

Nevertheless the picture at both IRI and ENI has clearly brightened. Nearly three years of political stability in Italy under Mr Craxi have given Mr Prodi and Mr Reviglio a steady tenure in office which contrast with ENI's unhappy years between 1979 and 1983 when it had five short-lived and mostly reluctant chairmen.

Management has clearly improved. IRI now boasts men like Mr Giovanni Bisagnani, its US trained exports director who holds a degree from the Harvard Business School and worked in New York with First National City Bank for two years, or Mr Pasquale Pistorio, head of SGS, its electronic components maker, who worked in Texas for 17 years with Motorola, or Mr Giuseppe Tramontana who is trying to steer Alfa-Romeo back into the black.

Conglomerates

Italy's state capitalism, at its best, is quite unlike the lumbering nationalised industries favoured by socialists elsewhere. Its quality is shown by its ability to compete in world markets. In 1985, for instance, IRI exported over $7bn worth of goods and services.

Though IRI is developing markets in the Far East, especially China, its biggest single market is the US and half its exports go to the advanced industrial economies of the West.

Both conglomerates may look as if they are just one step away from the private sector, but Italy's politicians are unlikely ever to let go of them, citing such arguments as the strategic role of the ENI. Some privatisation has however been attempted.

Last year Mr Reviglio put 49 per cent of ENI's pipeline corporation Saipem on sale in the stock markets with a part actually being quoted on the Frankfurt exchange. IRI, raising money to trim its debts, divested itself of about L3,000bn of shares in subsidiaries in 1984 and 1985, selling off some small banking subsidiaries.

Politics—in the form of behind the scenes opposition from Mr Craxi and the Socialists—blocked the outright sale of SME, IRI's foods subsidiary, to Mr Carlo de Benedetti and the Buitoni pasta and sweets group last year. Other buyers have been mentioned, but the sale appears to have been stalled.

Most observers agree that in the last three years IRI and ENI have put up relatively good performances which should continue if the better management and stability persists.

Benefits from fall in oil prices

Energy

DAVID LANE

CHANCE HAS come to the rescue of Italy's energy managers. The slump in the price of crude oil is a fortuitous slice of good fortune.

A failure to get to grips with the problem of energy diversification during the past decade looks like being compensated by the economic effects of an increase in the availability of crude from non-Opec members, by the increasing impact of energy-saving measures, and by differences among members of the Opec cartel.

As the European country most heavily dependent on oil, Italy suffered more than the others from the two oil shocks, and is set to gain the greatest benefit from the drop in prices.

Feliciano Adami, a member of the executive board of the state hydrocarbons holding corporation ENI, recently put forward what he described as a prudent hypothesis. With the lire at 1,600 to the US dollar and crude oil costing $24 a barrel, Italy's energy bill will be cut by L10,000bn, falling to L30,000bn, compared with L40,000bn in 1985.

Last year Italy consumed 85m tonnes of oil, putting oil's share of total national energy requirements at 58 per cent. While this compares favourably with an oil-dependency greater than 70 per cent during the 1970s, and 64 per cent just two years ago, it remains a position of vulnerability which worries the energy planners.

Indeed, the revised national energy plan, which received parliamentary approval at the end of last year, renews emphasis on the need to diversify energy sources. Fundamentally, this means generating more electricity with coal and nuclear power, and less from conventional oil-fired stations.

But notwithstanding the exhortations from planners and politicians, the state electricity corporation ENEL, which is responsible for over 80 per cent of total national electricity production, has encountered considerable difficulty in getting its coal and nuclear programmes off the ground.

Firm opposition from local communities, based on environmental arguments and the fact that power station investment provides little increase in long-term employment, has generally put a brake on progress in siting decisions. Italians are reluctant to have power stations near their towns.

The contribution which nuclear power makes to ENEL's production is tiny, 7bn kwh of last year's 169.3bn kwh. Moreover, it will continue at this low level until 1989 when the first unit of the 2 x 1,000 Mw station at Montalto di Castro, 70 miles north of Rome, is due to enter service. It is a reflection of the energy planners' inability to translate their words into action that this is the only station under construction from 1975's ambitious programme for 20,000 Mw of nuclear power.

However, another step forward was taken at the beginning of 1985 when the decision was finally reached on the site for the next nuclear station. Purchasing orders were made for plant for Trino Vercellese, in Piedmont, in the autumn and work to prepare the site has now begun.

But little progress has been made in deciding where a new station should be built in Lombardy.

Last year nuclear's share of total energy consumption of about 145m tonnes of oil equivalent (Mtoe) was 1 per cent. Under the revised national energy plan, nuclear power is expected to cover between 7 and 9 Mtoe in forecast total national demand between 163 and 177 Mtoe in 1995.

"It is very small, yet even this minimal nuclear programme is contested locally," Giuseppe Ammassari, senior energy executive at the Ministry of Industry, told a recent Rome conference on diversification for the 1990s.

Mr Ammassari also spoke cautiously about the prospects for diversification into coal. The change in the ratio of coal's price to that of oil has cast a shadow over coal's future role. "The price of coal has stuck at about $45 per tonne cif on average, while the crude oil price per barrel has dropped considerably. In economic terms the convenience of coal has declined, while the problems associated with its environmental impact have increased," Mr Ammassari said.

Italy's energy consumption

(Unit: MTOE)	1973	1980	1985	1990	1995
Solid fuels	10.2	12.5	15.3	19.2	24.6
Natural gas	14.3	22.8	27.2	31.8	35.5
Primary electricity	10.0	12.9	17.5	20.8	25.8
Oil	105.3	98.8	85.0	83.5	79.3
Renewable	—	—	—	0.3	1.0
TOTAL	139.8	147.0	145.0	155.6	166.2
Energy intensity	100.0	86.8	82.2	78.1	74.7

Source: Unione Petrolifera—National Energy Plan

Scaling down

Coal's share of traditional thermoelectric generation has increased significantly from 7.9 per cent of the 127.9bn kwh produced in 1979 to 19.4 per cent of last year's 131.7bn kwh. ENEL then burnt about 8.5m tonnes of coal in stations which have an aggregate capacity of 8410 Mw.

But further large strides seem unlikely in the near future. In fact, the revised national energy plan reveals a sharp scaling down of earlier forecasts for coal consumption in 1990.

A target figure of 20m tonnes of coal-burn for electricity generation will be reached only if three new coal-fired stations (representing total capacity of 4440 Mw) are constructed for ENEL at Gioia Tauro in Calabria, Piombino on the Tuscan coast and Vado Ligure on the Ligurian riviera, as well as two others to be sited in Sicily and Friuli (2480 Mw); together with the conversion of existing oil-fired plant at Piombino (600 Mw).

Italy's electricity corporation has had its face saved by the success of the French nuclear programme which has produced surplus power for Italy to buy. This has helped to make power cuts in Italy a fading memory.

Purchases from the other side of the Alps, across which transmission capacity is being increased, have risen enormously. Net imports more than doubled between 1983 and 1984, rising from 11.1bn kwh to 20.9bn kwh. In 1985 electricity purchases from abroad rose by a further 13 per cent to reach 23.6 kwh, thus covering 12.1 per cent of national demand.

There has been no shortage of criticism of this reliance on imports, despite the economic convenience of buying rather than producing. ENEL's significant recourse to natural gas is another contentious issue. Last year the electricity corporation produced 24.4bn KWH from methane, burning about 6bn cubic metres (BCM) in the process. By comparison, the gas-burn for electricity was 3.2 BCM in 1983 and 1.8 BCM in 1981.

Italy's apparently profligate use of gas reflects the current abundance of supply and slow take-up in demand. Long-term contracts with Algeria, Russia and Holland have secured supplies until well into the next century.

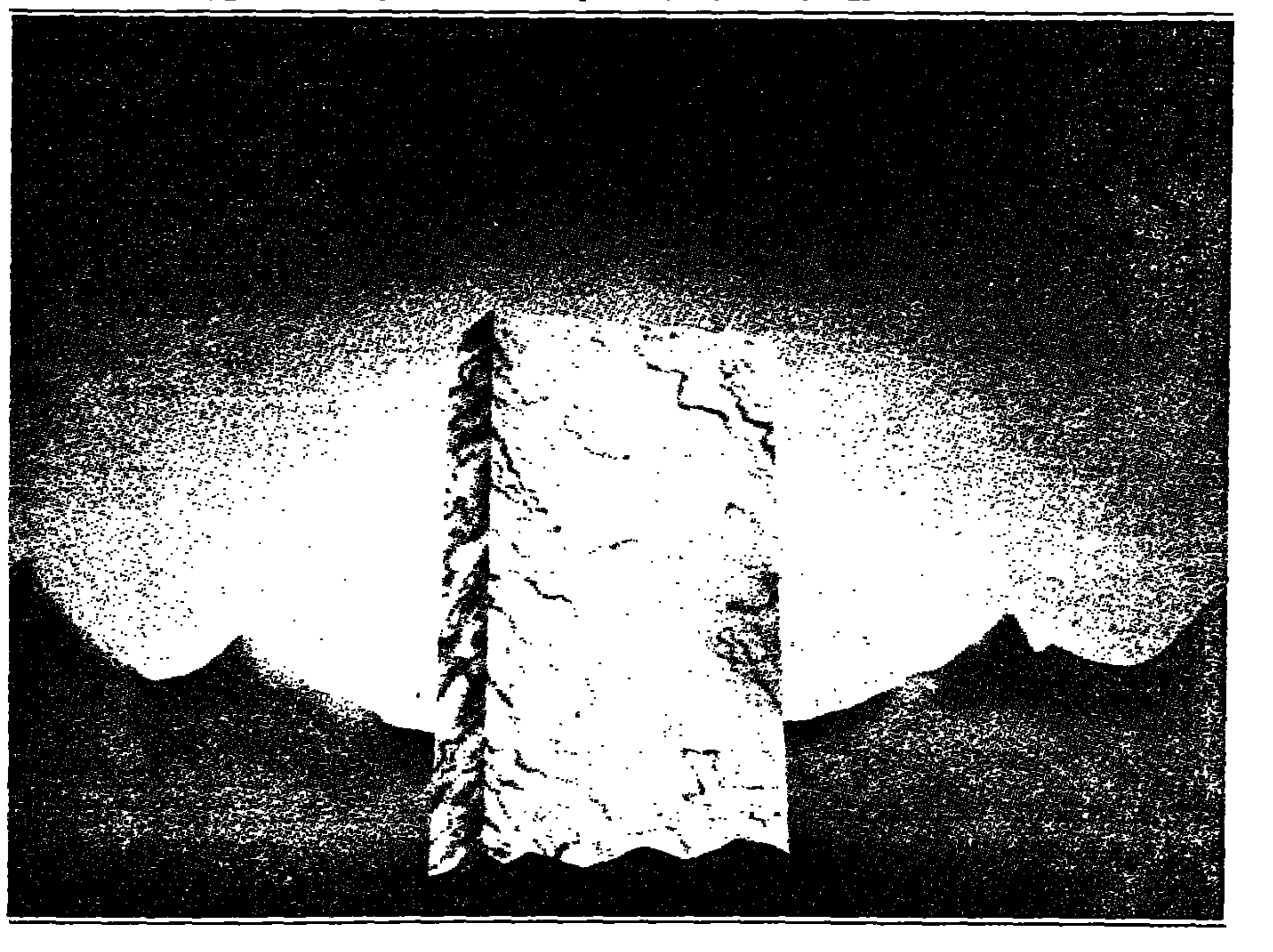
Imports last year amounted to 21 BCM, purchases from the Soviet Union and the Netherlands holding at around their 1984 levels of 7.6 and 4.6 BCM respectively. Flows through the Transmediterranean pipeline from Algeria have increased enormously; 2.2 BCM in 1983, 6.6 BCM in 1984, about 9 BCM in 1985 and 12.3 BCM forecast for this year.

At the same time domestic reserves of natural gas have been increasing.

"However the problem at the moment is that of selling available gas. The Trans-Mediterranean gas pipeline, running up the Italian peninsula to link the Algerian fields and the areas of high demand in northern Italy, also makes gas available in the Mezzogiorno.

Seen as a tool for southern development, gas has been the beneficiary of substantial investment in distribution trunklines and local networks. Yet the south's share of national household consumption is marginal, just 0.7 BCM last year and forecast to rise next year to 1.0 BCM (less than 7 per cent of national household consumption).

With natural gas no longer enjoying a price advantage over oil, it is difficult to see consumers switching energy sources, so this gas glut could continue. Natural gas, however, has already reached the target set in the first energy plan, and now covers 20 per cent of total national energy demand.



Wide protests at overcrowding and lack of investment

Education

JENNIFER GREGO

AT THE height of the student protest last November Mr Carlo de Benedetti, chairman of Olivetti, issued a dire warning in a speech to top industrialists.

"The truly critical resources *today are no longer merely* oil or raw materials, as it seemed in the 1970s, but qualified personnel, technological know-how and entrepreneurial ability, which in theory are available to all countries," he said.

He went on to goint out that in Japan, the country which spends the highest proportion of its resources on technological education, the number of students reading engineering at university is 2.5 times the *European* average. Numbers in Korea are more than Italy and West Germany together.

Investment in this field was essential, he said. The lack of a forward-looking and up-to-date education system was inhibiting *the country's development.*

Mr de Benedetti was echoing the present widespread concern over state education. All but about 7 per cent of Italian children attend state schools. The lower school, *(scuola elementare)* takes children from six to 11 years, middle school *(scuola media)* 11 to 14 years, and *the upper school (scuola secondaria superiore)* 14 to 18 years.

Families contribute L80,000 (£36) in taxes, and a minimal fee for school lunches where available. Schools hours are *normally 8.30 am to 1.30 pm.*

"The number of lower schools offering full-time education is growing, as more mothers go out to work and this is beginning to stretch to middle school. Text books are free throughout the period of legally-required schooling, at present from age 5 to age 14, but a Bill is under discussion in the Senate which would raise the leaving age to 16 as from 1987-88. The National Statistical Institute says that 56 per cent of students over 14 went on to further education last year.

Since the limit on the number of students per university *faculty was lifted in 1980, they* have become among the easiest to enter in the world. A severe selection process has been elegantly replaced by a seeming egalitarianism. But only about a third of those who enroll actually get their degrees.

Over-crowding is endemic, exacerbated this year by an increase of 4 per cent in the number of students compared with 1983-84. Italians usually spend three to four years at university getting their first degree, but some courses, such as medicine and architecture, take five to six years.

Demonstration

Last November thousands of high-school students marched through Rome to demonstrate for the right to study. This was one of the few portests in recent years that has had the support of the whole country, from the president of the republic downwards.

The main political parties tried to make capital out of the marchers while television and newspaper coverage was almost excessive. For four days running the front pages of the *main newspapers were devoted* to students. Denigrators tried to maintain that the protest was just another media event.

Left-wing sociologists and philosophers drew unflattering parallels with the violent disturbances in which many of them took part in 1968. This was when university students' *protests against rigidity and* authoritarianism had far-reaching effects.

It took students a full year of sit-ins then to make the front page of Corriere della Sera (whose editor at that time was Mr Giovanni Spadolini, the present defence Minister.) But this time it was a unanimous, diffuse and spontaneous protest, by a younger, less - sophisticated group who had learnt how to use the media.

The most obvious target of their protest was the lack of classrooms and the decaying school buildings. The situation is worst in the South—in Bari, 1,000 more classrooms are needed and teaching is done on a rotation system. At the Agricultural College there, students complain of rats and blocked drains.

In Verona, in the prosperous north, the theme was also rats, *and in Florence teachers joined* students in a protest against the lack of gymnasiums, the unhealthy and insufficient classrooms and the lack of laboratories. The Education Ministry estimates that 14,000 classes throughout Italy are being forced into two sittings, mainly in the South.

Miss Franca Falcucci, the Minister, lays the blame on the *comune* (local councils), which since 1976 have been responsible for construction and upkeep of schools. After the latest students' protest, the Treasury set aside L4,000bn for schools.

The second of the students' complaints was directed towards what they considered the irrelevance of syllabuses to the *job market, and to the lack* of training in computer technology. In northern cities such as Milan, where the protest started, but physical conditions are not so appalling, this may well be the chief motive. *University students* there also have the unsettling example of the efficient private Bocconi University, or business school, which boasts that it is impossibie to find one of its graduates unemployed.

Italy suffers particularly badly from youth unemployment, with about a third out of work, compared with about 20 per cent in Britain and France.

Computers are just beginning to come into the schools, starting with the 14 to 16 age group. Reform of the lower schools, which the *minister* presented to parliament in the first week of March, should bring these computers as well. They should also change to a different teacher for each subject instead of the present all-purpose one. The problem is that no-one is willing to be committed about when this will come into effect.

Education and industry are beginning to talk to each other, and an encouraging sign is the calling-in of executives from Confindustria, the main employers' association, and Confcommercio, the retailers association, to help in the long-projected reform of upper *schools. Miss Falcucci says* one of Italy's problems is a surplus of teachers because *of* a large intake up to 1968, when there was a boom in the young school population.

She has reintroduced stringent competitive selection procedures. But with about L26,000bn going just on the salaries, there is little of the *ministry's total annual* budget of about L28,000bn left for retraining teachers.

Teacher surplus

The number of *pupils* in nurseries fell 2.4 per cent last year and lower school sizes have shrunk as the population has gone down. But there has been an increase of 1.5 per cent in pupils staying on for the last two years of voluntary upper school, and in the number demanding full-time school. This has led to a surplus of teachers and buildings at the bottom end of the age-scale.

There is also a serious problem of distribution of resources as the number of young pupils has gone down more dramatically in the inner-city areas.

The minister has suffered an unprecedented parliamentary vote of no-confidence over the teaching of religion — particularly opposed by the parents of nursery school pupils — which the 1984 Concordat between the state and the Vatican still requires.

Mr Claudio Martelli, deputy secretary of Mr Bettino Craxi's Socialist Party, then launched a further assault. He demanded that the Christian Democrat minister be replaced with a Socialist, a demand which could hardly have been met without a government crisis.

He also said parents should be given vouchers for the school of their choice, and most surprisingly for a member of the Left, that the educational system should be divided equally between the state and the private sector. *Most* Italian private schools are Catholic, and it would be incongruous for the state to contribute much to confessional schools. That Mr Martelli's voucher idea is impracticable and more concerned with *provoking* the minister than reforming the system is clear if one considers that Italy suffers from a bureaucracy which makes even the obtaining of a passport a major test of patience and persistence.

Professor Paolo Sylos Labini, of Rome University, said earlier this month in the Rome daily La Repubblica, that it would be necessary to alter the Italian Constitution to bring in a voucher system.

Rising criticisms from lawyers

Legal system

T. D. ERIKSON

ITALY'S JUDICIARY is under attack. It is being criticised for handing out heavy sentences to people convicted on the evidence of supergrasses, who, in return for their evidence, receive light sentences. There are outcries against the length of pre-trial detention, which may last up to five years. In the last three years two well-known prisoners awaiting trial were elected to Parliament as a citizens' protest. Lawyers are becoming increasingly unhappy with the system.

The present systems of criminal justice was introduced in 1930 under the Mussolini government. Since world war II it has been tinkered with, but never radically reformed. It is known as the "inquisitional" system, which is prevalent in various forms on the European continent and is completely different from the "accusatorial," or adversary system practised in much of the English-speaking world.

The various jurisdictional powers, which in England are attributed to separate bodies—the police, the legal profession and the lay citizens—are in Italy concentrated in the hands of a special body of people: the career judiciary.

To become a member of the career judiciary a law graduate, who may be fresh from university, has to pass a competitive state exam. Then, after a year's "apprenticeship," he or she becomes a fully-empowered "judge." It is the judges who conduct criminal investigations, collect evidence, present the case for the prosecution in court and hand down the verdict and the sentence.

With very few exceptions, no Italian judge has ever been a lawyer, and there are no "amateurs," equivalent to an English Justice of the Peace. A judging judge, therefore, has the past experience of being a prosecuting judge, but not that of defending counsel.

Safeguarded

The independence of the judiciary from direct government influence or control is solemnly safeguarded by the constitution, which says that judges are "subject only to the law." But they alone are empowered to give binding interpretations of the law. Each judge is answerable only to his own conscience for his judicial actions or errors. They are, as it were, a power unto themselves.

There are some 6,000 judges in Italy, to administer justice to a nation of 56m, with a prison population of around 44,000, of whome 60-70 per cent are awaiting a definitive verdict.

When a crime is committed, the "investigating-prosecuting" judge has to send a letter to the suspect(s), informing them they are under investigation. This letter may be accompanied by an arrest warrant. During the investigation, the suspect is questioned by this judge, in a secret hearing, at which only defending counsel may be present.

Questions and answers are written down, signed by the defendant and this material acquires the status of "prova" (a word which means both "proof" and "evidence"), i.e. the deposition may be considered subsequently by the court, for the purpose of reaching a verdict, even if the defendant retracts.

Witnesses are questioned in the same way, although without the presence of the defendant or his counsel. When the prosecuting judge has finished his investigations, he usually hands over to another judge ("giudice istruttore") who studies the findings and either commits the defendant to trial, or drops the case.

The committal-to-trial decision is not taken in a public hearing. All these proceedings are covered by a sort of official "Secrets Act."

They can and very often do take literally years, while the defendant may languish in prison. Meanwhile defence counsel is allowed to submit memos to the judge.

Bail (usually without money put up) is at the discretion of the investigating judges for most charges. On some charges, it is forbidden.

After committal, a date for the public hearing is fixed, which may be years ahead. And the public hearing may be prolonged for more than a year. In 1983 a group of defendants charged with subversion and other crimes had waited five years and two months in prison before a verdict was reached.

The actual court hearing is dominated by the presiding judge. In Courts of Assizes he is flanked by another professional and six lay jury people, chosen by lot.

There is no independent jury with exclusive sovereignty over the verdict, as in England, although there used to be under the Zanardelli code, abolished by Mussolini. This eight-person "panel" retires to consider points of fact and points of law, verdict and sentence. Although each member has an equal vote, authoritative opinion says the word of the professional judges tends to be decisive.

The prosecution in court is conducted by another judge—a colleague of the judging judges. Defence is conducted by a lawyer. Counsel may not call witnesses nor ask them questions. They may only submit names of witnesses to the presiding judge, who decides which ones to call, and suggest questions, which the President may ignore, rephrase, or tell the witness to answer directly. The judges are expected to have read all the "papers" (sometimes tens of thousands of pages) accumulated during the previous investigative phase of the trial-process.

Before witnesses are called, the defendant is questioned by the judge. He is not under oath and is entitled to tell lies. He need not be present, providing steps have been taken to inform him. In this case, his pre-trial deposition may be used as evidence, even if he is a "supergrass," i.e. acting as a prosecution witness.

This situation occurred three years ago when Professor Antonio Negri and others were convicted of masterminding the kidnap and murder of a young man. The main prosecution "witness" was the convicted perpetrator of this crime, who had been remitted 20 of the 27 years of his sentence as a reward for his "confessions."

He had also been given a passport—and failed to turn up in court. Yet his depositions, rendered in secret "istruttoria" hearings, years previously, were considered to be admissible evidence for the conviction.

Presentations

After defendants and witnesses have been heard, the prosecutor and defending counsel make their closing speeches. The court retires, judge and jury together, and comes back with verdict and sentence. Prosecution and defence can both make presentations to the Court of Appeal, and then on to Cassation. Leave to appeal is seldom refused.

Various aspects of the system have given rise to heated controversy in recent years: the use of supergrasses, as in the case mentioned for instance, and in the case of Mr Enzo Tortora the TV game-show host convicted last year of being a Camorra boss (the Camorra is the Neapolitan version of the Mafia) on the testimony of several Camorra gangsters.

The law on supergrasses provides that "corroborating facts" must be produced. In this case the court decided that the supergrasses could corroborate each other.

The main difference between the use of supergrasses in the UK and Italy is that in Britain they are cross-examined by the defence and must convince the jury. In Italy, they are examined by the judge and must convince him; there is no right of cross-examination.

The length of pre-trial detention, with no public hearing, is another cause for dispute. At the height of the terrorist emergency, this could last for five years and four months, up to the verdict of first instance (10 years and eight months, up to Cassation).

It has subsequently been reduced — Minister of Justice Mino Martinazzoli was quite firm about this, despite protests that terrorists and mafiosi would be released upon the nation.

There is a comprehensive reform bill which Parliament has been trying to debate for more than 12 years, which would reduce it further to two years from arrest to the committal-to-trial hearing.

Many judges complain that they could not possibly complete their investigations in so short a period.

Most lawyers are very unhappy about the situation: white papers of protest have been published, and Neapolitan barristers concluded a two-month all-out strike earlier this year. Recently there was a serious constitutional conflict, when the Supreme Council of the Magistracy (two thirds of whom are elected by the judges) wanted to censure Mr Bettino Craxi for criticising a judgement. They were told by President Cossiga that they could not.

But Italy has had to face waves of political terrorism, Mafia and other criminal activity on a scale greater than that of most other developed countries. Italy's 6,000 judges have had to bear most of the brunt.

Supporters of the system say that without the judges wide, *de facto* discretionary powers, they could not carry on the fight.

Critics of the system claim that a monstrous Kafka-like mechanism now exists, whereby law-abiding citizens can and do spend months and years in prison, trying desperately to prove their innocence.

Neither side claims the system is efficient. The success rates for crime detection, for crimes against property (the hardest to detect) were 6.7 per cent in 1983 and 7.4 per cent in 1984.

Modern industry stands beside the old ways

Agriculture

DAVID BARCHARD

ITALY'S successful drive to industrialise has long relegated farming to a Cinderella status. Only about 7 per cent of GNP comes from agriculture and only 11 per cent of the work-force is in farming. This is high by the standards of the EEC, but it contrasts with 44 per cent in 1951 and 17 per cent 10 years ago. Italians are leaving the land.

The country's length, running more or less north-south, gives it a highly diversified agricultural profile. In the north around Milan, farming is a modern European industry. New crops such as soya bean are grown, viticulture is mechanised and production is intensive and efficient.

The general situation is much less encouraging. The average farm is far too small — just under 5 hectares and often split up into five or six plots.

The farm population is ageing and largely untrained, while the young tend to seek work in the towns. The result is low output and poor quality in many areas. Italy receives about a third of EEC aid to the farm sector but produces only a fifth of the Community's agricultural output.

Italian consumers remain devoted to good food and drink, however, with 28 per cent consumer spending goes on these items — the highest proportion in the EEC. Families can spend 40 per cent of their income on food, buying only the best and freshest.

It is often not Italian food that they are buying, however. Last year, Italy had a deficit of L12,000bn on its food trade. Self-sufficiency in most agricultural sectors runs at around 60 to 65 per cent.

Italy's allotted milk quota in the EEC is only 65 per cent of consumption. But in general, chronic mismanagement has to carry the blame for a deficit which comes second only to the country's energy bill.

In addition to the uneconomic size of farm units, chief factors responsible for this poor performance seem to be:

● Poor marketing and distribution facilities. Italian farmers, especially in the south, seem to be much less skilled at grading and packaging their produce for sophisticated markets.

● A lack of effective sectoral institutions. Italy has three rival farmers' organisation, each fairly politicised, and some with sponsored members in parliament. There are about 600 agricultural banks, many with only one or two branches, and three rival federations of cooperatives. The good producers win few advantages over bad ones.

Agriculture also has to contend with what is in many areas an adverse terrain. Areas of fertile plain, such as Apulia, are outnumbered by hill slopes. A good deal of farmland is marginal by EEC criteria and may eventually be abandoned.

A tendency has developed for farmers to rely on their votes to win them hand-outs. The spirit of EEC policies is ignored. Stories circulate about farmers using the intervention price to collect payment several times over for the same load of fruit, for example. There are complaints that the intervention mechanism makes no distinction between high and low-quality fruit.

Periodic efforts at reform have been made. In November 1984, Mr Filippo Maria Pandolfi, the Minister for Agriculture, published a national plan for the sector, described by one foreign diplomat as "an outline for a framework for a plan." Its chief emphasis was predictably political—to stem the exodus from the land by preserving farm jobs. In practice nothing much happened.

Effects

Farmers are more preoccupied with the effects of the Common Agricultural Policy (CAP) on livestock and dairy produce, staging demonstrations against the European Commission.

There has been a search for new crops suited to Italian conditions and also not already in surplus in the EEC. One hopeful candidate is soya bean, largely imported from the US. In the three years to 1985, soya bean cultivation rose from 3,000 hectares to 120,000 hectares. There are experiments in more exotic crops such as the jojoba plant, grown for its oil, textile fibres and oil-seeds.

There has also been discussion of crops for ethanol production for fuel. Confagricoltura, the centrist farmers' union, wants to see experiments with sorghum, a sugar-rich ethanol producer, and opposes proposals put to the Commission in Brussels last year by Mr Raoul Gardini of Feruzzi to use grain for ethanol production.

Farmers' minds are now concentrated on the effects of Spain's entry to the EEC, which is expected to have revolutionary effects on Mediterranean agriculture.

Confagricoltura is "very worried" because it says the Spaniards have better marketing organisations and a much more aggressive approach to the markets in the north.

"If the Community is not careful we could have unsaleable surpluses in the Mediterranean sector," it says.

There is a note of bitterness because the Commission has criticised existing Mediterranean producers without taking practical steps to improve the situation.

Particular worries about Spanish entry centre on wine, where Italian production is already 40 per cent above consumption; citrus fruits, where the superiority of Spanish farmers is most glaring; and olive oil, for which demand is inelastic while Community output will be tripled.

In spite of frequently voiced anxieties, few practical measures seem to have been suggested. But Italian farmers note with even more alarm that the Community is also negotiating new preferential deals with countries in North Africa and the Middle East as part of attempts to forge links with markets in those regions.

There may be the seeds here of an alliance with Mediterranean producers in Spain—and to a lesser extent Portugal which, because of its much smaller size, the Italians do not see as much of a threat. This could win the Italians back some of their bargaining strength inside the Community as part of a Mediterranean bloc which will also compete with northern farmsers for funds.

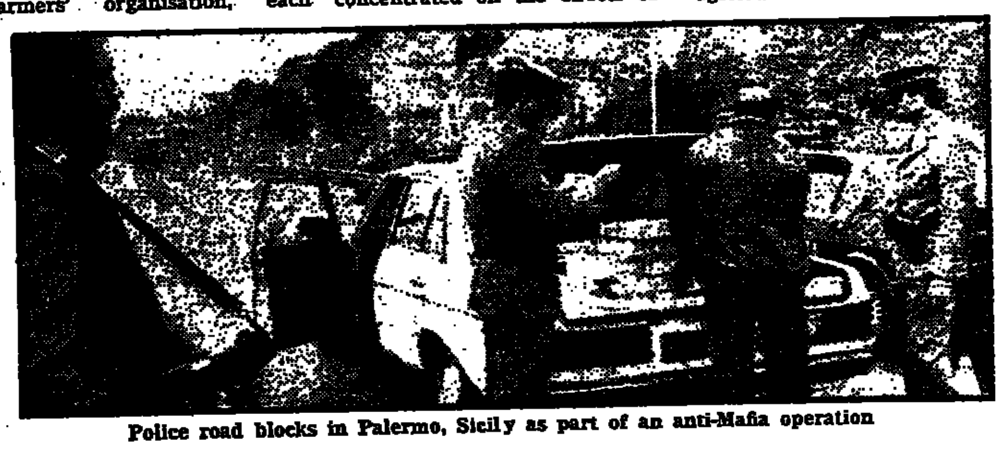
But the outlook for Italian growers of tomatoes, peaches, oranges, olives and grapes has darkened.

The logical answer would be for Italy to step up production not only of new crops but also of those in which it has a trade deficit, such as grains, feedstuffs, and live products which make up 90 per cent of its food imports.

Here the way is blocked by the need to conform to the CAP and the national quotas it imposes. So cutting exports is tentatively advocated by some farmers.

Another way forward may be to develop specialised types of farming operation which allow farmers to branch into sidelines such as tourism. Under a new law, Italian farmers will soon be permitted to engage in "agritourism."

Farmers in Southern Italy destroying tons of pears as part of their efforts to hold prices.



Police road blocks in Palermo, Sicily as part of an anti-Mafia operation

Determined drive against criminal power

The Mafia

ALAN FRIEDMAN

THE BATTLE in Italy against the power of the criminal organisation known as the Mafia has traditionally been a hopeless venture, but the past year has seen genuine progress. It was epitomised by the opening a few weeks ago in Palermo of the "maxi-trial of 468 alleged Mafia members including the man said to be the actual leader of the organisation, another accused of being the finance director and hundreds of lesser Mafiosi including some of the most ferocious killers employed in Sicily.

Not since the time of Mussolini has the Italian state appeared as serious in its determination to attack the Cosa Nostra, a highly structured organisation which is estimated to enjoy annual revenues from its main heroin trade of as much as $10bn.

Yet the view of taxi drivers in Palermo or Milan is identical to the analysis of top anti-Mafia magistrates and other courageous Italians who wish to stop the bloody organisation. Unless the politicians who collaborate with the Mafia and receive votes and financial contributions from it are tackled in a court of law, then the issue will remain unresolved. The explosive issue of how the Mafia works with local politicians in Sicily and even members of parliament in Rome has yet to be truly addressed in Italy.

Meanwhile, the Mafia remains, outside of Italy, an organisation much misunderstood and wrapped in legend. First of all the actual members of the organisation do not use the term Mafia. They may call themselves Men of Honour which means that they are full members and sworn to *omerta* or silence. The Mafia—according to investigations by magistrates which have been confirmed by informers such as Mr Tommaso Buscetta, the supergrass whose testimony figures heavily in the maxi-trial—is both sophisticated and rigidly structured.

At the top there is the Cupola or governing commission, a kind of board of godfathers who coordinate activities which range from extortion, kidnapping, robbery, cigarette smuggling and murder, to the main business, heroin.

Magistrates estimate that something like 60 per cent of the heroin sold on the east coast of the US is either processed or brokered through Italy. An informal agreement between the Sicilian Mafia and its Naples-based cousin — the Camorra—divides the domestic Italian and international drug trade so that the Mafia's primary vocation is heroin and the Camorra's cocaine.

Of the estimated 25,000 Mafia collaborators in the city of Palermo, a good number are engaged in one way or another in the heroin business.

Heroin as a principal source of Mafia revenue is a relatively recent phenomenon, going back perhaps only 10 or 15 years. The Mafia's historic roots go back to its influence as a substitute government in Sicily more than 100 years ago, protecting farmers and peasants from outside invaders.

Thus, in an economically backward region such as Sicily, the Mafia was seen as the dispenser of favours, jobs and patronage. This is in the best tradition of Italian clientelism, a system which is still pervasive in Italian politics.

Today, however, the Honourable society has become a vertically and horizontally integrated multinational criminal corporation which uses advanced banking technology and which functions with brutal efficiency.

The wars between rival Mafia factions in recent years which left the city of Palermo with annual murder rates of 300 a year have helped the Mafia in some ways. Magistrates explain that the wars served as a kind of management restructuring, leaving the organisation leaner and fitter.

Mr Leoluca Orlando, the determined new mayor of Palermo who is one of a small number of genuinely honest anti-Mafia politicians in Sicily, has said that the rise of the "heroin dollar" means that the Mafia has no time to waste—if politicians are not for sale they can be murdered.

Mr Orlando is taking real chances these days, cutting off city contracts which used to go to construction companies which are alleg to be Mafia-run.

The list of "illustrious corpses" in Sicily has included judges, politicians, businessmen, journalists, senior police detectives and of course the single murder which so traumatised Italy in 1982 that it finally brought about a more serious campaign against the Mafia: this was the murder of General Carlo Alberto Dalla Chiesa. The special anti-Mafia high commissioner who was machine-gunned to death along with his young wife in September, 1982.

General Dalla Chiesa's assassination, according to the 40-volume and 8,607 page indictment against 468 alleged

CONTINUED ON NEXT PAGE

THE REGIONS: THE MEZZOGIORNO

BY DAVID LANE

Economy continues to lag behind

THOUGH AUTOSTRADE and airports make Southern isolation a problem of the past, a real distance still separates the "Mezzogiorno" — the south — from Italy's more European central and northern regions.

It is a hard fact of geography that puts the south out on a limb, with Sicily looking towards North Africa and Apulia towards Greece and the Levant. Naples may lay claim to being the capital of the south, yet it is 499 km from Reggio Calabria in the toe, a distance not much less than from Milan to Rome.

The gap between north and south is not only spatial, however. Notwithstanding massive efforts during the past 30 years, the economy in the "Mezzogiorno" lags way behind the rest of the country.

The high level of unemployment registered in the south underlines the continuing reality of "two Italies." In the second half of last year the jobless in the south amounted to 15.1 per cent of its workforce, compared with 8.4 per cent in the north. The island of Sicily currently suffers an unemployment rate of 21 per cent, and in the city of Palermo there are some 40,000 young people looking for work.

Former Prime Minister Emilio Colombo is a native of Basilicata and a noted "meridionalista." The instep region which Mr Colombo has represented in parliament for nearly 40 years is one of the poorest areas of the country.

In describing the employment situation in the south as extremely difficult, Mr Colombo underlines the bleak facts shown in official labour statistics: "The economic recession of the early 1980s hit the weakest areas hardest," he says.

"Moreover, the forecasts for the future point to unemployment continue to be concentrated in the South."

Indeed, while the problem of unemployment has eased in northern Italy, down from 8.4 per cent in 1984 to 8.3 per cent on average last year, and remained constant in the centre at 9.4 per cent, there has been a distinct worsening in the south. The 15.1 per cent level of jobless recorded in the second half of last year was significantly higher than the previous year's 14 per cent average.

Nowadays few believe, however, that the problem of southern unemployment can be resolved by new flows of mass migration. Lack of opportunities in the industrial north and in countries such as Switzerland and West Germany, which absorbed waves of southern Italians during the 1950s and 1960s, has, in any case, removed the safety valve of emigration.

Yet safety valve suggests the presence of social tensions which are not strongly evident in a "Mezzogiorno" more accustomed over the centuries to passive acceptance of adversity, rather than active resistance.

"Se Dio vuole" is an often-uttered southern response. Fatalism, religion and the strength of family ties in Southern society help to explain the absence of violent reaction to the lack of opportunities in the "Mezzogiorno."

"The family unit is important. Young people, particularly those in country areas, find support within the family when they are looking for work," says Mr Colombo, describing how the problem of unemployment is alleviated.

Firm advocate

He certainly does not suggest, however, that parental assistance should take the place of policy aimed at creating jobs in the South. Since his arrival in national politics in the late 1940s, Mr Colombo has been a firm advocate of special intervention directed at bringing the poor and industrially backward "Mezzogiorno" into line with the rest of Italy.

Much was achieved during the 1950s and 1960s in creating a sound infrastructure of public works. The depressed conditions which shocked Alcide De Gasperi, Italy's first post-war Christian Democrat Prime Minister, when he visited the south and prompted the decision to establish a fund for southern development, have been eliminated.

The construction of a good road network, reservoirs and equeducts, schools, hospitals, houses and electrification schemes has eased the difficulties of communication and removed the worst defects of public service.

Development policy has missed targets of creating jobs and levelling up incomes, however. Per capita output in the South was lire 6.2m in 1983, 70 per cent of the national average and only 60 per cent of that in the centre and north.

Though these proportions are better than in 1951, when the "mezzorgiorno's" per capita output was on half of the national average, since 1973 the North-South gap has been widening rather than closing.

Disappointments and outright disasters decorate the industrial scene in the "Mezzogiorno." Despite considerable amounts of state aid to industry, in capital grants and soft loans, improvements have proved illusive. That success is not entirely absent can be seen along the Adriatic coast from Pescara down to Bari and in pockets of achievement in towns like Frosinone, Latina and Pomezia not far south of Rome.

But more often failures make the news. The huge petro-chemicals complexes in Sardinia and Sicily. (which would be called "white elephants" in Britain) in Italy earn the descriptive label of "cathedrals in the desert." Providing little by way of permanent new jobs locally, these petro-chemical works have been by-passed by supertankers taking the Cape route and made redundant by falling oil demand and by the construction of new refineries and plant in the oil-producing countries.

Motor vehicle manufacturer Alfa Romeo created a large number of new jobs in the south, but its factory at Pomigliano d'Arco, near Naples, produced losses rather than profits and suffered a long period of notoriety after production started in the early 1970s.

The distribution of jobs on the basis of connections with the "Camorra"—the local version of the Mafia—or political recommendation was an invitation to absenteeism and low productivity. The impression that Alfa Romeo's parent, the state holding corporation IRI, appears to have given up hope for the south is perhaps not surprising. The corporate plan which IRI published last year reveals a substantial reduction in the south's share of its new investment.

The Governor of the Bank of Italy, Carlo Azeglio Ciampi, is a supporter of southern development. However, even Dr Ciampi admits that new initiatives and the creation of jobs are discouraged by productivity which is lower in the south than elsewhere in Italy. The task of overcoming a non-industrial mentality often proves too great for the owners and managers of manufacturing companies, and the incentives offered by the state insufficient to compensate for disadvantages.

Lending by banks is another aspect which points to the existence of two Italies. In the "Mezzogiorno," whose industrialisation has been a widely-declared aim for more than 30 years, manufacturing industry took 40.5 per cent of lending in 1984, against 46.8 per cent in Italy overall.

Analyses by the Bank of Italy show that the share of credit taken by manufacturing industry in the "Mezzogiorno" has declined significantly. Ten years ago it amounted to 55.1 per cent of overall lending in the south. Moreover, the beneficiaries are traditional industrial sectors, the structure of credit reflecting the small number of medium-sided manufacturing companies in the south operating in mainstream or advanced technology.

In a further attempt to stimulate activity in the South, legislation was recently passed to encourage young people to establish and run co-operative venures. But according to Emilio Colombo, the new law is only of marginal value and its impact will be slight in dealing with the enormous problem of youth unemployment.

Allocated

Mr Colombo also has doubts about the effectiveness of new funding for the south, the L120,000bn which has been allocated for expenditure over the next nine years.

Basilicata's most eminent politician is an active defender of the Cassa peri Mezzogiorno. This central fund for Southern development was set up in 1951 and spent nearly L100,000bn on infrastructure works and in encouraging industry and tourism before being placed in liquidation, perhaps as much by default as by design, in August 1984.

"It was an effective motor for achieving economic progress in the south, in public works, industry and agriculture," he says.

Mr Colombo recognises that there may have been some errors of operation and emphasis and that changes might have been useful at the now-defunct Cassa per il Mezzogiorno. But he is critical of the legislative limbo in which the South remained for nearly ten years, with short-term renewals of the Cassa and now a vacuum until a new law at some stage receives parliamentary approval.

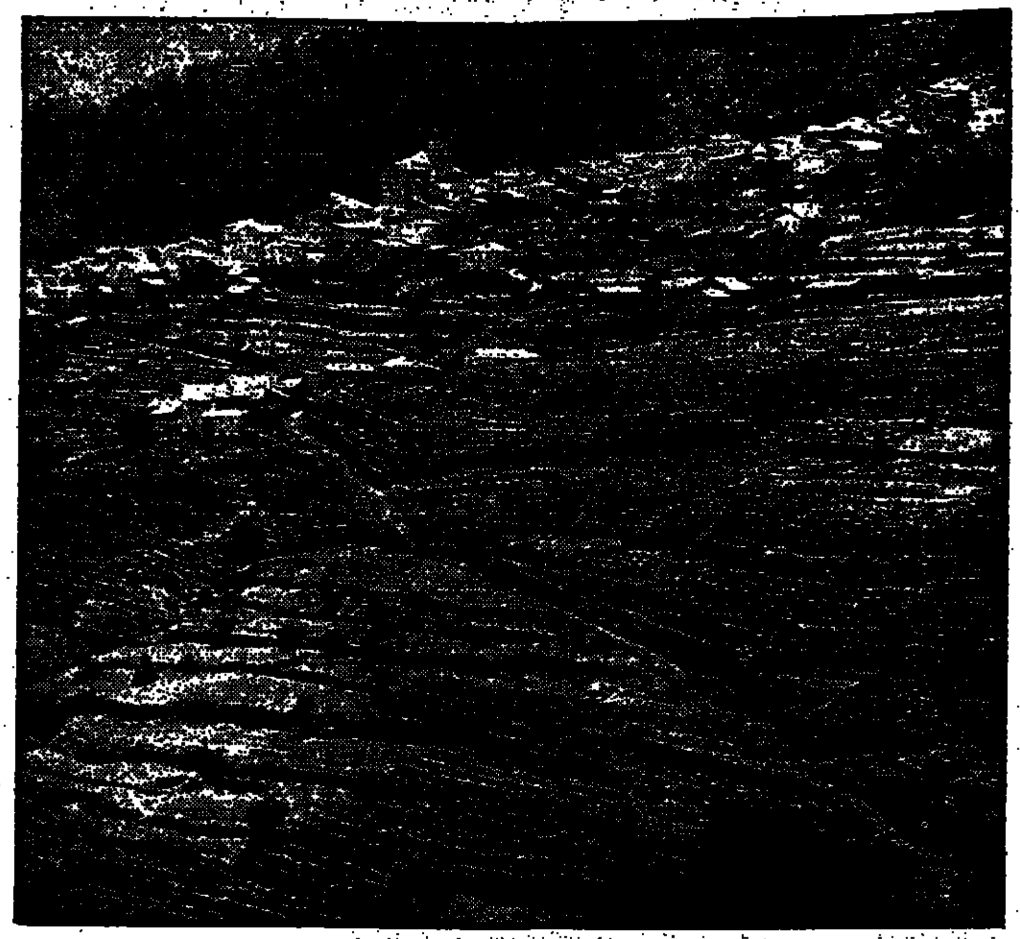
With the intention now that funds be allocated through regional authorities, Mr Colombo foresees both a slowdown in the allocation and large variation from region to region.

While he underlines the need to renew efforts to close the economic gap between north and south, Emilio Colombo takes care to emphasise the improvement in public service and the narrowing of the cultural gap which has occurred.

"The advances made in health and education have been enormous. The influence of the mass media has created a common culture of clothes and behaviour, though Southern custom continues to encourage time for human courtesies," he says.

Fifty years ago the painter and writer Carlo Levi was sent into political confinement by fascist authorities to the small mountain village of Aliano in Basilicata. He recorded his experiences, a massive cultural shock for an educated Turinese, in his book, "Christ Stopped at Eboli."

The widespread illiteracy found by Levi has fortunately since disappeared, and mountain villagers do not now die of typhoid, cholera and malaria. And crucially, the isolation of the "Mezzogiorni," the feeling of existing way beyond the margin, has been largely eliminated.



Hillside cultivation proves difficult in mountainous terrain. Below: a small boy has the task of tending sheep on a bleak hillside in the Mezzogiorno

Criminal power

CONTINUED FROM PAGE 9

Mafiosi now standing trial, was ordered by Mr Michele Greco, the godfather known as "the pope."

In numerous conversations with judges, politicians and others in Palermo it is stressed however, that it is hard to imagine General Dalla Chiesa's murder having been carried out without at least the tacit consent of some politicians in Sicily.

Many politicians in Sicily were indeed hostile to General Dalla Chiesa and with good reason. In just a few months as high commissioner he began to come "too close" to the truth. He spoke in public of ties between the Mafia and politicians.

He discussed construction businesses which embezzled state funds from regional and city contracts. He began to move against the Mafia, but he was isolated, lonely and without the resources which Rome had promised him.

He did not have sufficient backing from Rome, either in terms of police manpower or in terms of the extraordinary powers to seize Mafia assets, bank accounts and tap telephone lines.

Approved

After his murder, special laws were finally approved by Rome to give investigating magistrates and police wide powers. In the past three years many bank accounts in Switzerland and elsewhere have been seized—one current account at Credito Svizzero in Lugano, for example, contained $553m of funds allegedly transferred from the US to Mr Tommaso Spadaro, who is now on trial as an alleged heroin trader and Mafia leader.

The arrest a few weeks ago of Mr Greco, the alleged "boss of bosses" is a real blow to the Mafia, although senior Mafia leaders have succeeded in the past in conducting business directly from jail cells. There is no doubt that the Mafia is suffering financially—its alleged finance director, Mr Pippo Calo, is on trial.

In real terms, however, magistrates say the damage can be compared to that inflicted on a multinational corporation whose annual revenues have diminished, perhaps by 30 or 40 per cent in the past couple of years. Organised crime in Italy still has annual revenues which are similar to the size of turnover at, say, Fiat, the country's largest private sector conglomerate.

The revelations of Mafiosi-turned-informers have helped the state to understand in great detail how the Mafia functions, how it does business with the Mafia in the US, and how it uses politicians. Thus the arrest last year of an ex-mayor of Palermo alleged to be a Mafia member. There is great fascination with the so-called "terzo livello" or third level, a reference to politicians who aid the Mafia.

In reality, this is a rather typically Italian concept: over-simplified, exaggerated and conspiratorial. Politicians do not "pull the strings" to make the Mafia act. Instead, according to magistrates, they receive votes and finance from intermediaries in Palermo who may even be respected politicians themselves.

In Rome the Craxi Government has been saying all the right things and, in fairness, taking some concrete steps to fight the Mafia. New extradition arrangements between the US and Italy and closer collaboration between investigators in both countries have helped. But there is a tendency on the part of Italian politicians to cite the maxi-trial in Palermo as evidence of a victory over the Mafia.

Error

That, according to Mr Sergio Mattarella, an anti-Mafia Christian Democrat deputy whose brother, the president of the Sicilian region, was murdered in 1980, would be a tragic error.

When Prime Minister Bettino Craxi said on February 8 that the trial meant that the Mafia had been defeated in its challenge to the authority of the state, Mr Mattarella, reflecting the views of serious anti-Mafia campaigners, called the Craxi statement "optimistic and illusory."

One need only have been on the streets of Palermo a few weeks ago to feel the atmosphere of a war between Mafia and state. 2,000 carabinieri patrolled the city for the start of the maxi-trial, helicopters circled overhead, the trial is taking place in a steel-and concrete fortified bunker built at a cost of more than £30m inside a prison.

Inside the "bunker courtroom" 250 armed guards watched defendants in 30 cages of steel bars and bullet-proof glass. Outside, paramilitary soldiers lounged nervously, machine guns at the ready, beside large blue armoured tanks.

Progress against the Mafia is genuine, but it would be a mistake to view the battle as won. Already magistrates are preparing the indictment for another 305 alleged Mafia members, including politicians. Unfortunately there are few in Italy who think the next "political" trial against the Mafia will implicate the more relevant senior politicians who are believed to profit in their careers from the help of this deadly organisation.

ITALY 11

PROFILE: FLORENCE

BY JAMES BUXTON

Too much of a good thing

UNTIL LATE last summer Massimo Bogianckino was running the Paris Opera. He was enjoying it and the Parisians' esteem for him was high but at four o'clock in the morning on September 24 the city council of Florence finally ended a conclave that had been going on intermittently for more than four months and elected him their mayor.

Later that day he moved into the chamber of Pope Clement VII, the frescoed room in Palazzo Vecchio from which the mayor runs Florence.

At first sight it seemed a strange transition. Mr Bogianckino, who is 64, is a tall slim, gentleman who does not look built for the battles of Italian municipal politics. He was not even born in Florence. He did however direct the city's opera house for seven years, and before that those of Rome and Milan, and everyone knows that in the highly politicised world of Italian opera you need both determination and acute political judgment.

"I am an administrator, not a politician," says Mr Bogianckino. "The Socialist Party chose me because they did not want an apparatchik, and because they thought I had as much administrative experience as anyone."

Not being a politician, he says, "I am in a very weak position, but this could be a source of strength," says the mayor. "They know I don't play the party games."

Florence is in need of a strong mayor. The left-wing coalition that had ruled the city from 1975 collapsed in 1983 and there followed two years of unstable centre-left government. Unlike in Italy's other major cities, in last May's local elections the electorate swung slightly to the left and the coalition of Socialists, Communists and Social Democrats has a small but adequate majority.

With a mayor who is a respected personality in his own right it might be possible to make some changes. Mr Bogianckino believes Florence needs rejuvenation urgently.

On the face of it, Florence seems the perfect Italian city. It is just the right size, and it lies between green, villa-strewn hills, with the dome of the cathedral rising unchallenged over the tiled roofs of the massive palazzi in the centre.

The statistics look reassuring, too. The population is a comfortable, though static, 440,000. Income per head puts Florence in third place for major Italian cities, after Milan and Bologna, and well above Rome.

There is a good balance between services — which includes everything from shops and banking to tourism and fashion shows—and industry, which consists of small and medium-sized companies making clothes, engineering products and pharmaceuticals.

The trouble is that Florence is too attractive for its own good. The combination of some of the most famous art treasures in the world and a delightful Italian city attracts far more people than Florence can cope with. Abundance, in the form of visitors and money, arrives on Florence's doorstep without anyone having to lift a finger.

It is reckoned that well over 2m tourists, both foreign and Italian, spend a night in Florence each year. By mid-March the city is already a babel of foreign languages, and by April it is virtually under siege.

The abundance has its disadvantages. A few months ago a team of analysts from the Rome social research bureau, Censis, produced a report on the city. Through the almost impenetrable jargon it is clear that they considered the city a great deal less advanced and less dynamic as a centre of services than it ought to have been.

Censis thought Florence should have developed more sophisticated operations in such environmentally unobtrusive fields as data processing, to serve the manufacturers and businessmen not just of the city but of much of Tuscany. It said that the local clothing manufacturers made too little of the big fashion shows held on their doorstep at the Pitti Palace, and it implied that hotel operators had grown fat from restrictions imposed by the municipality on hotel licences.

It might have added that Florence cries out for the installation of a central electronic hotel reservation system to which every hotel and pension should be connected.

Massimo Bogianckino, new mayor of Florence: from the politics of opera to the crowded palazzos of Florence

With some reluctance people in the Florentine business community admit that there may be some substance to these criticisms. At the Cassa di Risparmio di Firenze, the savings bank, the chairman, Mr Lapo Mazzei, names political factors for preventing change.

At the industrialists association the Director General, Mr Massimo Fabio, blames external factors: the lack of a large airport—only now are commuter airliners beginning to fly from Florence to Rome and Milan—the congestion on the autostrada across the mountains to Bologna and the poor connection to the Port of Livorno.

As Mr Bogianckino sees it, Florence is simply "overloaded." "We have to be able to breathe," he says. "We have lost the battle with Rome and Milan and we are far less productive than Prato"—the booming textile town 12 miles to the west—"Florentines are intelligent and honest, but while they talk, others produce."

He, like much of the city council, including the Christian Democrat opposition, sees a partial solution to the congestion and stultification of the city in a controversial scheme for developing a new satellite commercial and residential centre on a site covering about a square mile lying two miles from the centre.

The scheme has been put forward by La Fondiaria, the Florence-based insurance company, which is acting in concert with Fiat, the motor group. Between them they control much of the site at Piana di Castello, out in the direction of Prato.

The big building project, which would take years to complete, would, it is said, give space to the creation of new businesses in the sector of advanced services, whose weakness Censis lamented. It would present an alternative to the claustrophobic atmosphere of central Florence.

Not everyone agrees, however. Firenze Viva, a conservation organisation, is say, would lead to the "degeneration" of the city. It would upset its equilibrium, drawing business and employment from the centre, acter. The new development would make Florence too big. It would make the traffic even worse.

Firenze Viva's counter-proposals are barely less radical in their own way. They want the council to ban the conversion of "traditional" shops in the centre of the city to new uses. To rebuild the establishment of new bank branches in the heart of the city and to persuade businesses which the conservationists think are out of keeping with Florence to move elsewhere. The municipality should lease property to people prepared to live in the centre and who carry on activities "in tune with local traditions."

Mr Bogianckino calmly rejects all this. "The centre of will not lose its magnetic power," he says. "But in Florence we cannot have the chaotic development that you see on the outskirts of Rome—that's like Casablanca.

"If you don't have a project for the future, Florence won't have a future."

Aerial view of Bari: mercantile tradition of links with Arab cultures

PROFILE: BARI

BY ALAN FRIEDMAN

Mercantile city that hates to stand still

BARI, the capital of the Puglia region, has always had a mercantile tradition, has always been populated by hard-working people and is today an exception in the otherwise underdeveloped and agrarian Mezzogiorno (South) of Italy. The Barese are proud of their tradition, although they are slightly piqued when Italians refer to the city as "the Milan of the South."

A 13th-century saying about Bari remains true today: "In Bari he who does not engage in commerce dies."

The population, around 400,000, makes it about the size of Florence, but if the suburbs are included the figure rises to 1.4m. Organised crime does not exist in Bari, although pickpockets have become a problem. The city handles much of the ferry traffic for commerce and holidaymakers heading for Greece, Yugoslavia and Albania.

Many of the companies in and around Bari derive 70 to 80 per per cent of their sales from exports to other countries in the Mediterranean, especially North Africa. Indeed Bari has one of the most important meat processing factories which prepares meat according to the Koran for shipment to the Arab world.

Bari is a dynamic place, with a lively cultural life: there is a respected conservatory, opera stars such as Pavarotti visit frequently, Broadway plays such as A Chorus Line are staged and Bari hosts Italy's biggest modern art fair each year with 257 galleries exhibiting. The city has a busy 60-acre large trade fair—the Fiera del Levante—which last September attracted 2.5m people in 11 days.

The local economy is about 50 per cent commerce (wholesaling, distribution for several regions in the South of Italy, import-export), 25 per cent agriculture (grapes, wine, olive oil, almonds, vegetables) and 25 per cent light and medium industry. The biggest company is Calabrese, an industrial vehicles and transport group with L200bn of turnover and 2,000 employees.

Calabrese derives 65 per cent of its turnover from exports, is active in Algeria, Tunisia, Libya, Egypt, Iran, Iraq and Pakistan, and works closely with the Fiat Group's Iveco subsidiary. The company is now building a joint venture industrial vehicle factory at Tajura, near Tripoli, which will be 75 per cent Libyan-owned.

The province around Bari is dotted with knitwear and shoe factories which export as much as 90 per cent of their goods. The 150 shoe companies which average L10bn annual sales each, employ about 25 to 30 workers. The city university and companies such as Olivetti and others are working to develop a science park and research centre called Tecnopolis.

Bari itself is actually three cities in one: the historic centre, with buildings dating back a thousand years, a 19th century adjacent zone designed by Napoleon's representative on a grid plan, and the post-war industrial zone. Bari is by no means a pretty city and despite its energy is not necessarily an exciting place to live. Mr Nicola Milillo, a Bari native who is now editor of Italy's management and Impresa magazine in Milan, ssys dryly that "Bari is an easy place to leave, not so easy to return to."

Nonetheless, the city boosts itself. It is proud of the 100 year old prestigious Laterza publishing house, of its most famous native son—Aldo Moro, the Prime Minister who was kidnapped and murdered by the red brigades—and of its influence on the rest of the South of Italy.

The main problems facing the city are the rise of youth unemployment, a stand-still in the construction industry, a neglected historic centre and chaotic traffic which makes getting around Bari less than pleasant. Despite being a successful commercial centre, Bari lacks a financial market and looks to Milan in the north.

Mr Gianfranco Dioguardi is a Barese who lectures at the university and has a construction company. His view of the future coincides with that of other business leaders: "I see Bari continuing as an increasingly important commercial centre, with more service industry, a more important role in the regions of Puglia, Basilicata and even Campania and a reinforced role as a point of contact between European and Mediterranean cultures."

He notes that Bari's university has a large Arab population as many North African states see the city as a training centre, especially in management studies. The fall in oil prices, however, could spell trouble for a city which relies on trade with the Middle East for a major part of its income.

Hard times or not, the Barese manage to get by. It is said that a Barese who is not in motion is not a true Barese. This is perhaps the city's best insurance for the future.

Restructuring lifts haute couture profits

Fashion

MICHAEL GRIFFITHS

IT WAS the most glamorous and elegant occasion so far in the new presidency of Mr Francesco Cossiga. He invited about 300 people to the Quirinale Palace in Rome, all the men (most unusually for Italy) wearing dinner jackets. There were film and television stars, artists and, inevitably, politicians.

But the real stars were Valentino, the country's leading fashion designer, and a cluster of other big names from the world of Milan fashion: Fendi, Ferragamo, Armani, Krizia, Versace and others. The party was intended to honour the men who have made Italian fashion probably the most successful in Europe.

These designers are at the apex of a system of manufacturing and marketing which gives Italy an annual trade surplus of about L4,000bn (£1.7bn). Yet although the major clothing manufacturers have lately been turning in good profits, the whole industry was known until recently for its "profit fragility"—mainly because of the very high cost of marketing in what is by definition a volatile market. For smaller companies it can still be a precarious existence.

In the 1970s companies reacted to poor results by decentralising production and moving towards greater brand differentiation in marketing. "We are now starting to see the results of companies' efforts to restructure and renew product lines," says Mr Armando Branchini of the Italian clothing manufacturers association.

For example, Gruppo Finanziario Tessile (GFT), one of the biggest clothing manufacturers which is based in Turin, made a L25bn profit in 1984 on sales which jumped 23 per cent to 710bn. It made new investment of 18bn, nearly 10 per cent of total capital invested.

GFT produces and distributes collections designed by Valentino, Armani, Ungaro, and Louis Feraud. *The use of designer names (or griffes as they are called in the trade) has enabled the company to move up-market without relinquishing the strong positions it holds in* the middle sector of the market through its own brands, like Cori and Facis.

The use of designer names means that "haute couture" names such as Valentino are now available at reasonable prices to a larger market through their ready-to-wear collections produced mainly under licence by independent manufacturers. It appeals to the modern Italian to be seen wearing Valentino or Armani.

It is reckoned that the top names in Italian fashion now account for between 5 and 10 per cent of the total Italian clothing industry's sales (L23,000bn in 1984). The leader is Valentino, with sales of about L300bn, followed by Armani and Versace, with about L250bn each.

Vulnerability

But fashion is a business where marketing costs increase rapidly when high value-added products require big investments in image and design. The table illustrates the extreme vulnerability of fashion operating margins to marketing and distribution costs and is based on the author's experience of working for a range of companies in the Italian clothing industry over the past 10 years.

In fashion markets the control of these costs becomes indispensable for survival, and only companies with access to substantial financial resources can afford the luxury of "designer name" marketing. The smaller company is either forced back to compete on price (to the detriment of creating resources for future growth) or becomes a production unit for large designer names hungry to reduce manufacturing overheads through extensive use of sub-contractors — the famous "terzisti" or third parties of Italian clothing manufacture.

Product development — the selection of materials (cloth or yarn) and then the interpretation of designs for final collection — can be very expensive.

The task of material/colour selection requires close attention to market trends. "Here the designer/stylist is often closer to the market than we industrialists are," says Dr Zegna, head of Ermenegildo Zegna, *a major Italian clothing manufacturer* which has moved into the men's fashion market from a long-established, traditional base of cloth manufacture.

"In the past we've probably underestimated the importance of the "designer phenomenon" in helping Italian manufacturers to get the product decision right," he says.

The next step is to review designs for the proposed collection, and to transfer drawings into prototypes, or working models. Here the skill of the pattern cutter (modellista) is vital; it takes many years of "cutting and sewing" experience if designer sketches are to be interpreted into models which are economic for production.

Working models will then be modified, re-worked and resubmitted before being accepted for inclusion in the final collection, ready for production of the sample collections required for selling.

A full women's collection (excluding knitwear) can easily extend to 50 or 60 models and to reach that number may require at least 80 to 90 prototypes. "We spend between a minimum of 3 per cent and 10 per cent on collection development," says GFT. *This includes* the cost of internal staff such as pattern cutters (modellisti).

An international distribution could well call for 15 to 20 collections per season, and sales will probably be concentrated on only about 30 per cent of models offered. The cost of producing prototypes and the collections themselves (standard production costs should probably be doubled to allow for small runs/initial production problems) is often ignored by companies to their peril, but it is rare to find prototype/collection production controlled as a seperate cost centre.

Another hidden cost lies in the fact that most collections at the end of season will be sold with "clearance stock" discounts of at least 30-40 per cent. If a collection at trade prices costs L4m and 30 collections are produced, 40 per cent of L80m can dig deeply into profits, particularly for the smaller company.

In bad selling seasons the total cost of sample collections can amount to as much as 20 per cent of sales, and it hurts to have to discount that stock at 40 or 50 per cent.

The relationship between designer and company is always a delicate one. Bruno Piattelli, who licenses his full men's range to four main manufacturers, says: "It's a two-way process where the capacity of the stylist to understand what is technically possible in a given production situation has to marry with the ability of the company to adapt designs to economic reality."

It is easy for companies to fall into the trap of producing uneconomic designs for "image" reasons, and this can be fatal, particularly in an industry where labour costs can even be as high as 80 per cent of cost of goods, says Bruno Piattelli.

Royalties have become a lucrative source of income for top Italian designers, and leading names like Valentino and Armani earn sums in the region of L50bn (about £20m) from royalties. These will vary between 7 and 12 per cent of sales, and thus can put product development costs, including royalties/designer fees, well over 20 per cent of sales.

Knitwear line

For this reason some companies seek to reduce the cost and risk through the development of their own brand names. For instance, ICAP of Perugia who produces and sells part of the Armani range, has successfully developed his own high fashion knitwear line "Pitti." Zegna and Max Mara have aggressively followed "own label" strategies where designer costs can be held at much lower levels than for "high royalty" lines.

The prime thrust of most high fashion advertising and promotion is to the retailer and only indirectly to the consumer. For this purpose participation at fashion fairs, with own sponsored fashion shows, becomes first priority for the advertising budget. A one-hour fashion show can cost a leading name US$100,000, and licensees will be asked to contribute in the form of sample collections shown by the mannequins.

Further, designers, in addition to royalties, ask licensees for a contribution to advertising costs, and most contracts call for a contribution amounting to at least 5 per cent of sales, with a guaranteed minimum, which, in the event of poor sales performance, is all borne by the licensee. At this level it is impossible for promotion and advertising costs not to exceed 10-12 per cent of sales.

The control of marketing costs in a high fashion market environment has always been a delicate balancing act, compounded in difficulty by the fact that the process *is* repeated afresh twice a year, ie for spring/summer and autumn/winter collections. Since material and labour costs will not vary significantly between one manufacturer and another (given the same type and quantity of article), it is volume which becomes the key to profitability, and volume in this market depends on being able to sell at the prices which can support high marketing costs.

This is no easy task when cost of goods may have to be marked up at least twice to cover "below gross margin" costs. Further, manufacturers' prices are under intense pressure from international buyers, where in the US, for example, the consumer may be paying as much as four times ex-factory price in Italy, when transport costs, duty, local distributor costs and retailers' margins have all to be absorbed.

And that is probably one of the reasons why Italian companies are turning to more sophisticated systems for the control and value analysis of their marketing costs. Now that production costs have been reduced through the restructuring of the past decade, it is appropriate that they *should* look more closely at those "hidden" costs which are an inseparable part of high fashion marketing.

On the front row (left to right) are Marco Rivetti, managing director of GFT, and designers Giorgi Armani, Emanuel Ungaro and Valentino

The high costs of fashion marketing

(expressed as a percentage of sales)

Gross margin	40	40
	—Range—	
Sales and distribution	10	15
Product development and sample collections	5	10
Royalties and designer fees	5	10
Fashion fairs and publicity	5	10
Operating margin (before general overheads)	15	—5

Source: Author's research

Craxi consolidates his power

CONTINUED FROM PAGE 1

the extraordinary boom of the Milan stock exchange, which doubled last year and is already up by nearly half as much again this year. It is transforming a million Italian savers into serious stock exchange investors—mainly through unit trusts—is forcing Milan financial institutions to modernise and could loosen the grip of *old industrial oligarchies* on the financial markets.

In one sense, Mr Craxi's achievement in staying in power has been easy. It was his own disruptive behaviour as a discontented junior coalition partner that brought down the five governments in the four years before he became Prime Minister.

Once in power, events naturally improved. Even so, staying in office has had to be a permanent preoccupation for him. Yet he has hardly ever looked at a disadvantage: quick to anger and possessed of nerve, his reaction to any *setback has always been to* attack and raise the stakes. With considerable guile he switches his allegiance from one power group to another—first it was the Agnellis, now it is Mr De Benedetti. Lately he has been quite unabashed about flirting with the Communist opposition, thus raising the spectre, severely worrying to the Christian Democrats, of a man who regards no alliance as permanent.

In the complicated horse trading now going on between the parties on the future of the Government, the idea of Mr Craxi being asked to stand down is inconceivable. Despite its preponderance in the coalition the Christian Democrats could not plausibly replace the man who stood up to President Reagan over the Achille Lauro affair last year and who is to be the first post-war Italian prime minister to be exhibited at Madame Tussauds.

Indeed the prime minister's room for manoeuvre has been expanded, thanks to Italy's good fortune with the fall in the oil price and the dollar. Italy will benefit more from these developments than other Western European countries, *since it is more dependent than* them on imported oil and gas, and has done so little in the past few years to develop alternative energy sources.

The windfall will mean lower inflation—perhaps to 5 per cent this year. The balance of payments ought to return to equilibrium or better, and the Government should be able to boost its revenues by keeping petrol taxes high as the cost falls.

Indeed, there is a danger that in the general euphoria spending will rise in real terms and the chance to improve the Government accounts will be frittered away. Already the new mood has been given a typically hyperbolic name: "cuccagna," meaning abundance, and parallels are being drawn with the period of low inflation and fast growth in the 1960s.

The main criticism against the Craxi Government is that it has not made the most of its opportunities to promote serious reforms. Certainly it had a meagre balance sheet to show for last year, when it was excessively distracted by elections. But a five party coalition government with minimal *control of parliament, facing* a compact Communist opposition, is hardly the best launchpad for change.

The reforms of the 1970s were achieved because the situation was so critical and because the Communists were co-operating. Now neither of these conditions prevails.

Reforms

As a result vast problems such as decay of the education system, the labyrinthine futility of much of the bureaucracy, and the growing gap between the poor south and the rest of the country *have not been given the* attention they should. Nothing much seems to be done about youth unemployment, which accounts for 75 per cent of all unemployment and is particularly bad in the south.

Yet changes are taking place: because Mr Craxi has been in office so long, the Prime Minister's office is discreetly acquiring a little more power at the expense of the ministries —with surprisingly little objection from them. Soon parliament could aprove a law, intermittently under discussion for 30 years, which would formally confer greater authority on the Prime Minister, presently only a *primus inter pares*. That would make Mr Craxi loom even larger.